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SODEXHO ALLIANCE SA

Form 6-K

June 20, 2003

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME: SODEXHO ALLIANCE SA

CENTRAL INDEX KEY: 0001169715

STANDARD INDUSTRIAL CLASSIFICATION: SERVICES-MANAGEMENT SERVICES [8741]

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BUSINESS ADDRESS:

STREET 1: 3 AVENUE NEWTON

STREET 2: 78180 MONTIGNY-LE-BRETONNEUX

CITY: FRANCE

STATE:

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BUSINESS PHONE: 33130857500

6-K

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13A-16 OR 15D-16 OF THE  
SECURITIES EXCHANGE ACT OF 1934

June 20, 2003

SODEXHO ALLIANCE SA

3, avenue Newton

78180 Montigny-le-Bretonneux

France

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

X

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

Contents: Consolidated Financial Statements as of and for the year ended February 28, 2003

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## EXHIBIT LIST

| Exhibit | Description |
|---------|-------------|
|---------|-------------|

99.1

Consolidated Financial Statements as of and for the year ended February 28, 2003

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SODEXHO ALLIANCE SA

By: /s/ Sian Herbert-Jones

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Name: Sian Herbert-Jones

Title: Chief Financial Officer

Date: June 20, 2003

Exhibit 99.1

Consolidated Financial Statements as of and for the year ended February 28, 2003

Code EURONEXT: EXHO.PA / Code NYSE: SDX

This document may contain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These include, but are not limited to, statements regarding anticipated future events and financial performance with respect to our operations. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like "believe", "expect", "anticipate", "estimated", "project", "plan", "pro forma" and "intend" or future or conditional verbs such as "will", "would" or "may". Factors that could cause actual results to differ materially from expected results include, but are not limited to, those set forth in our Registration Statement on Form 20-F, as filed with the Securities and Exchange Commission (SEC), the competitive environment in which we operate, changes in general economic conditions and changes in the French, American and/or global financial and/or capital markets. Forward-looking statements represent management's views as of the date they are made, and we assume no obligation to update any forward-looking statements for actual events occurring after that date. You are cautioned not to place undue reliance on our forward-looking statements.

SODEXHO Group

Consolidated Financial Statements  
February 28, 2003

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### I. Consolidated Income Statement

|   | 6 months<br>ended<br>February 28,<br>2003 | % revenues | Change  | 6 months<br>ended<br>February<br>28, 2002 | Year ended<br>August 31,<br>2002 |
|---|---|------------|---------|---|----------------------------------|
| (in millions of euro)   |   |            |         |   |                                  |
| REVENUES  | 6,168                                     | 100%       | (6.1%)  | 6 572                                     | 12,612                           |
| Other income  | 21  |            |         | 22  | 54                               |
| Purchases   | (2,121)                                   | (34.4%)    |         | (2,437)                                   | (4,559)                          |
| Employee costs  | (2,874)                                   | (46.6%)    |         | (2,990)                                   | (5,868)                          |
| Other external<br>charges   | (779)                                     | (12.6%)    |         | (733)                                     | (1,464)                          |
| Taxes, other<br>than income taxes   | (36)                                      | (0.6%)     |         | (38)                                      | (74)                             |
| Depreciation and<br>increase in provisions  | (85)                                      | (1.4%)     |         | (82)                                      | (173)                            |
|   | -----                                     | -----      | -----   | -----                                     | -----                            |
| EARNINGS BEFORE<br>INTEREST, EXCEPTIONAL<br>ITEMS, INCOME TAXES,<br>INCOME FROM EQUITY<br>METHOD INVESTEES,<br>GOODWILL AMORTIZATION<br>AND MINORITY INTERESTS<br>(EBITA) | 294                                       | 4.8%       | (6.2%)  | 314                                       | 528                              |
|   | -----                                     | -----      | -----   | -----                                     | -----                            |
| Financial expense, net  | (82)                                      | (1.3%)     | 48.5%   | (55)                                      | (166)                            |
|   | -----                                     | -----      | -----   | -----                                     | -----                            |
| INCOME BEFORE<br>EXCEPTIONAL ITEMS,<br>INCOME TAXES, INCOME<br>FROM EQUITY METHOD<br>INVESTEEES, GOODWILL<br>AMORTIZATION AND<br>MINORITY INTERESTS                       | 212                                       | 3.4%       | (17.9%) | 259                                       | 362                              |
| Exceptional (expense)<br>income, net  | (7)                                       | (0.1%)     | (35.8%) | (12)                                      | 3                                |
| Income taxes  | (83)                                      | (1.4%)     | (2.9%)  | (81)                                      | (126)                            |
|   | -----                                     | -----      | -----   | -----                                     | -----                            |
| NET INCOME BEFORE<br>INCOME FROM EQUITY<br>METHOD INVESTEES,<br>GOODWILL AMORTIZATION<br>AND MINORITY INTERESTS   | 122                                       | 2.0%       | (26.9%) | 166                                       | 259                              |
| Net income (loss)<br>from equity method<br>investees  | 2   |            |         | 2   | 4                                |
| Goodwill amortization   | (32)                                      | (0.5%)     |         | (33)                                      | (67)                             |
|   | -----                                     | -----      | -----   | -----                                     | -----                            |
| NET INCOME BEFORE   |   |            |         |   |                                  |

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|   |       |       |         |       |       |
|---|-------|-------|---------|-------|-------|
| MINORITY INTERESTS                      | 92    | 1.5%  | (32.5%) | 135   | 196   |
| Minority interests                      | 6     | 0.1%  | (25.0%) | 7     | 13    |
|   | ----- | ----- | -----   | ----- | ----- |
| GROUP NET INCOME                        | 86    | 1.4%  | (33.0%) | 128   | 183   |
|   | ===== | ===== | =====   | ===== | ===== |
| EARNINGS PER SHARE<br>(in euro)         | 0.54  |       | (33.0%) | 0.81  | 1.15  |
|   | ===== |       | =====   | ===== | ===== |
| DILUTED EARNINGS PER<br>SHARE (in euro) | 0.53  |       | (33.0%) | 0.79  | 1.13  |
|   | ===== |       | =====   | ===== | ===== |

II. Consolidated balance sheet

|  | February 28,<br>2003 | August 31,<br>2002 | February 28,<br>2002 |
|--|----------------------|--------------------|----------------------|
| FIXED AND INTANGIBLE ASSETS, NET                           |                      |                    |                      |
| Goodwill   | 1,505                | 1,616              | 1,768                |
| Intangible assets  | 2,732                | 2,940              | 3,174                |
| Property, plant and<br>equipment                           | 358                  | 371                | 409                  |
| Financial investments                                      | 78                   | 67                 | 71                   |
| Equity method investees                                    | 9                    | 11                 | 7                    |
|  | -----                | -----              | -----                |
| Total fixed and<br>intangible assets,<br>net               | 4,682                | 5,005              | 5,429                |
| CURRENT AND OTHER ASSETS                                   |                      |                    |                      |
| Inventories  | 178                  | 170                | 203                  |
| Accounts receivable, net                                   | 1,603                | 1,456              | 1,747                |
| Prepaid expenses, other<br>receivables and other<br>assets | 612                  | 606                | 622                  |
| Marketable securities                                      | 544                  | 553                | 598                  |
| Restricted cash  | 152                  | 165                | 147                  |
| Cash   | 593                  | 589                | 705                  |
|  | -----                | -----              | -----                |
| Total current and<br>other assets                          | 3,682                | 3,539              | 4,022                |
|  | -----                | -----              | -----                |
| TOTAL ASSETS   | 8,364                | 8,544              | 9,451                |
|  | =====                | =====              | =====                |

SHAREHOLDERS' EQUITY AND LIABILITIES

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(in millions of euro)

### GROUP SHAREHOLDERS' EQUITY

|  |       |       |       |
|--|-------|-------|-------|
| Common stock                               | 636   | 636   | 636   |
| Additional paid in capital                 | 1,191 | 1,191 | 1,191 |
| Consolidated reserves                      | 365   | 571   | 769   |
|  | ----- | ----- | ----- |
| Total group shareholders' equity           | 2,192 | 2,398 | 2,596 |
| MINORITY INTERESTS                         | 68    | 73    | 78    |
| PROVISIONS FOR CONTINGENCIES               | 85    | 99    | 76    |
| <br><b>LIABILITIES</b>                     |       |       |       |
| Borrowings                                 | 2,616 | 2,693 | 2,989 |
| Accounts payable                           | 1,245 | 1,251 | 1,419 |
| Vouchers payable                           | 763   | 732   | 822   |
| Other liabilities                          | 1,395 | 1,298 | 1,471 |
|  | ----- | ----- | ----- |
| Total liabilities                          | 6,019 | 5,974 | 6,701 |
|  | ----- | ----- | ----- |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 8,364 | 8,544 | 9,451 |
|  | ===== | ===== | ===== |

### III Consolidated cash flow statement

|  | 6 months ended<br>February 28,<br>2003 | 6 months ended<br>February 28,<br>2002 | Year ended<br>August 31,<br>2002 |
|--|--|--|----------------------------------|
| <b>OPERATING ACTIVITIES</b>  |  |  |                                  |
| Consolidated net income before income (loss) from equity method investees and minority interests | 90                                     | 133                                    | 192                              |
| Noncash items:   |  |  |                                  |
| Depreciation and provisions  | 96                                     | 87                                     | 254                              |
| Deferred taxes   | 6                                      | (9)                                    | 5                                |
| Losses (gains) on disposal and other, net of tax   | 15                                     | 0                                      | (61)                             |
|  | ---                                    | ---                                    | ---                              |
| Cash provided by operating activities  | 207                                    | 211                                    | 390                              |
|  | ---                                    | ---                                    | ---                              |
| Dividends received from equity method investees  | 1                                      | 1                                      | 1                                |
| Change in working  |  |  |                                  |

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|  |       |       |         |
|--|-------|-------|---------|
| capital from operating activities  | (86)  | 105   | 228     |
|  | ---   | ---   | ---     |
| Net cash provided by operating activities                                    | 122   | 317   | 619     |
|  | ---   | ---   | ---     |
| INVESTING ACTIVITIES   |       |       |         |
| Tangible and intangible fixed assets   | (121) | (129) | (297)   |
| Fixed asset disposals  | 9     | 16    | 33      |
| Change in consolidation scope  | (4)   | (81)  | (48)    |
| Change in working capital from investing activities                          | (7)   | (20)  | (3)     |
|  | ---   | ---   | ---     |
| Net cash used in investing activities  | (123) | (214) | (315)   |
|  | ---   | ---   | ---     |
| FINANCING ACTIVITIES   |       |       |         |
| Dividends paid to parent company shareholders                                | (98)  | (88)  | (87)    |
| Dividends paid to minority shareholders of consolidated companies            | (6)   | (9)   | (15)    |
| Increase in shareholders' equity   | 0     | 59    | 59      |
| Proceeds from borrowings   | 130   | 177   | 1,120   |
| Repayment of borrowings  | (90)  | (90)  | (1,146) |
| Change in working capital from financing activities                          | 89    | 101   | (1)     |
|  | ---   | ---   | -----   |
| Net cash provided by (used in) financing activities                          | 25    | 150   | (70)    |
|  | ---   | ---   | -----   |
| INCREASE IN NET CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES             | 24    | 253   | 234     |
| Cash, cash equivalents, and marketable securities, as of beginning of period |       |       |         |
|  | 1,307 | 1,213 | 1,213   |
| Add: opening provisions  | 23    | 1     | 1       |
| Cash, cash equivalents, and marketable securities, as of end of period       |       |       |         |
|  | 1,289 | 1,450 | 1,307   |
| Add: closing provisions  | 12    | 1     | 23      |
| Net effect of exchange rates on cash   | 53    | 16    | 118     |
|  | ----- | ----- | -----   |
| INCREASE IN NET CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES            | 24    | 253   | 234     |
|  | ===== | ===== | =====   |

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### Notes to the consolidated Financial Statements

#### I. SIGNIFICANT EVENTS

On September 3, 2002, the Group, through its American subsidiary Sodexho, Inc., acquired 83.10% of Patriot Medical Technologies Inc, an American company based in Tennessee, for 3.1 million US dollars (2.8 million euro) This company, which was created in 1997 and specializes in engineering services to the medical sector, has annual revenues of approximately 30 million US dollars.

The goodwill resulting from this transaction of 8.4 million euro will be amortized over 30 years.

This company is fully consolidated in Sodexho Allianc's consolidated financial statements and contributed an operating loss of 0.4 million euro for the 6 months ended February 28, 2003.

#### II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, VALUATION AND CONSOLIDATION METHODS, AND PRIOR YEAR COMPARATIVES

The Group financial statements have been prepared in accordance with accounting principles established by the Comite de la Reglementation Comptable No 99-02 ("CRC Regulation 99-02") and the Opinion of the Conseil National de la Comptabilite in relation to Interim Financial Statements in France.

The interim consolidated financial statements have been prepared in accordance with the same accounting principles as the year end financial statements, including the tax calculation, which, given the nature of our activities, could be calculated with sufficient accuracy.

There have been no changes in accounting methods during the 6 months ended February 28, 2003.

Amounts in tables are expressed in millions of euros.

##### 1. Revenue recognition

In the Food and Management Services, Remote Sites and River and Harbor Cruise activities, revenue is recognized in the period in which services are provided pursuant to the terms of the contractual relationships with clients. Revenues for the service voucher segment include commissions received from customers, commissions received from affiliates, and investment income realized on the nominal value of the vouchers during the period from their issuance through redemption.

##### 2. Employee costs

###### - Retirement benefits

The Group's benefit obligations relating to defined benefit pension and retirement indemnity plans are recorded in the balance sheet. For funded plans to which the subsidiary makes a contribution, the amount of the contribution is recorded as the annual expense of the plan.

###### - Stock options Sodexho Alliance has acquired treasury shares (which are recorded in deposits and marketable securities) in connection with its stock option plans. A liability is recorded if at the closing

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date of the period, the market price of the shares acquired is superior to the exercise price of the options awarded (and potentially exercisable). If the number of treasury shares acquired is less than the number of "in the money" options awarded, a liability is recorded for the difference between the market price at February 28 and the exercise price, multiplied by the number of remaining shares to be acquired for the applicable tranche of stock options.

### 3. Earnings per share

Earnings per share and diluted earnings per share are calculated using methods recommended by Advice No. 27 of the Ordre des Experts Comptables. Earnings per share is calculated by dividing group net income by the average number of shares outstanding during the year. In the calculation of diluted earnings per share, the denominator is increased by the number of potential shares outstanding, and the numerator is increased by the net-of-tax interest income (calculated at the Taux Moyen Mensuel du Marche Monetaire Euro, a French reference rate) on the proceeds which would have resulted from the issuance of these shares. The potential shares included in diluted earnings per share relate to stock options awarded but not yet exercised and warrants outstanding from the 1996 bond issuance exercisable until June 2004.

### 4. Foreign currency transactions and translation

For subsidiaries located in countries with stable currencies, assets and liabilities are translated using the end of period exchange rate. Income statement and cash flow statement line items are translated using the average exchange rate for the 6 month period, calculated using monthly averages. The monthly average exchange rates are calculated as the average of the end of month rate and the rate for the prior month.

Exchange rates used are obtained from the Bourse de Paris and other international financial markets. The difference between the translation of the income statement at average and period end rates, as well as the difference between the opening balance sheet accounts as translated at beginning and end of period rates is recorded in shareholders' equity. Foreign exchange gains and losses resulting from intragroup transactions in foreign currencies during the year are recorded in the income statement.

The financial statements of the following subsidiaries reflect currency devaluations as required by local regulations:

- Sodexho Chile (sub-consolidation)
- Sodexho Pass Chile - Sodexho de Colombia
- Promocupon (Mexico) - Sodexho Servicios Operativos (Mexico)
- Sodexho Mantenimientos y servicios (Mexico)
- Sodexho Toplu Yemek (Turkey)
- Luncheon Tickets (Argentina)
- Siges Chile - BAS (Chile)
- Sodexho Peru
- Prestaciones Mexicanas SA de CV
- Sodexho Servicios de Personal (Mexico)
- Sodexho Restoran Servisleri (Turkey)
- Sodexho Argentina

The inclusion of monetary corrections imposed by local regulators on these subsidiaries in the consolidated financial statements had no impact on the income statement. Foreign currency translation differences for these subsidiaries are recorded in the currency translation adjustment account in shareholders' equity in the same manner as for the



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subsidiaries in countries with stable currencies.

For subsidiaries located in highly inflationary countries (Brazil, Colombia, Mexico and Venezuela), differences between net income translated at average and period-end rates are included in net financial expense. Translation differences on monetary assets and liabilities denominated in foreign currencies are recorded in the income statement.

Translation differences related to a monetary component of a net investment in a company within a consolidated foreign subsidiary are recorded in consolidated shareholders' equity until the sale or liquidation of the net investment.

### 5. Business combinations

The assets and liabilities of acquired companies have been recorded at their respective fair values effective September 1, 2000. Due to the insignificant impact, the accounting for acquisitions made prior to September 1, 2000 has not been restated.

#### 5.1 Intangible assets

The initial inclusion of the companies SODEXHO, INC., WOOD DINING SERVICES, SOGERES, SODEXHO SERVICES GROUP LTD, SODEXHO SCANDINAVIAN HOLDING AB, and UNIVERSAL SERVICES in the consolidation scope at their fair value led us to record intangible assets which represent the value attributed to the significant market shares held by these six companies in their principal geographic markets (the United States, France, the United Kingdom and Ireland, Netherlands, Australia and Sweden).

Market share is principally determined based on an average of multiples of revenues and EBITA achieved by the acquired companies in the applicable countries and is reviewed annually for diminution in value. If there is a significant diminution in the market share value for more than two consecutive years, as recomputed based on actual results of the applicable subsidiary as compared to the original calculation, it is written down. Market shares are not amortized in the consolidated financial statements, and no deferred taxes are recorded on market shares.

As of February 28, 2003, market share pertaining to our subsidiary SODEXHO AUSTRALIA had been provisioned by 1.2 million euro. Additional information pertaining to market share is provided in note IV 5.

#### 5.2 Goodwill

Goodwill represents the excess of acquisition cost over the identified assets and liabilities assumed, as of the initial inclusion of an acquired company in the consolidation scope. Due to the long-term nature of the Group's business, goodwill is generally amortized over thirty years (on a pro rata basis in the year of acquisition).

The value of goodwill is analyzed each period end with respect to the net assets and projections of the subsidiary. During the 6 months ended February 28, 2003, an exceptional charge of 1 million euro relating to the non-amortized balance of goodwill of our subsidiary Armement Le Buisson, was recorded following the sale of its holdings in the Societe d'Exploitation des Croisieres Nantaises (SECN).

Additional information pertaining to goodwill balances is provided in

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note IV 4.

### 5.3 Property, plant and equipment

Leased assets are recorded on the balance sheet as capital leases in instances where a Group company is deemed to bear substantially all of the risks and rewards of the leased asset. A corresponding obligation is recorded as a liability, and the related rental expense is allocated between depreciation and interest expense in the income statement.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets giving consideration to the local economic conditions and climate. The following useful lives are generally used by Group companies:

|  |            |
|--|------------|
| - Software                                   | 25%        |
| - Enterprise resource planning (ERP) systems | 20%        |
| - Buildings                                  | 3.33% - 5% |
| - Facilities and fixtures                    | 10%        |
| - Plant and machinery                        | 10% - 50%  |
| - Vehicles                                   | 25%        |
| - Office and computer equipment              | 20% - 25%  |
| - Other fixed assets                         | 10%        |

Organization costs are amortized over a maximum duration of five years.

### 6. Deferred income taxes

Deferred income taxes are recorded on temporary differences between the tax basis of assets and liabilities and their carrying values for financial reporting purposes and on consolidation adjustments.

As the pattern of temporary difference reversals is not fixed, deferred taxes recorded on the balance sheet have not been present valued. In addition, deferred tax assets pertaining to net operating loss carry-forwards are only recorded in cases where recovery is deemed probable.

A reconciliation of income taxes computed at SODEXHO ALLIANCE'S statutory rate to the actual income tax provision is provided in note IV 3.

### 7. Vouchers payable

Vouchers payable represents the face value of vouchers in circulation or presented to SODEXHO by the customer but not yet reimbursed to the affiliate.

### 8. Financial instruments

Group policy is to finance acquisitions through borrowings in the acquired company's currency generally at fixed rates of interest. In most cases where variable rate debt has been negotiated, the variable rate interest is swapped into fixed rates through the use of cross-currency or interest-rate swap agreements. Similarly, in most cases where acquisition financing has been negotiated in a currency other than that of the acquired company, a cross-currency or currency swap agreement is negotiated.

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All such agreements are designated as hedges at contract inception. As a policy, the Group does not engage in speculative transactions. For swaps negotiated on inter-company debt, the difference between the amount of the debt at the originally negotiated rates and at the swapped rates is recorded as debt. For other swap agreements, the related loans and borrowings are recorded at the swapped interest rate and currency.

The fair values of financial instruments are presented in note IV 20.

### 9. Deferred financing charges

Deferred financing costs incurred in connection with bond issuances are amortized over the maturity of the related debt.

### III. ANALYSIS OF OPERATING ACTIVITIES AND GEOGRAPHIC INFORMATION

|                              | 6 months ended<br>February 28,<br>2003 | Change  | 6 months ended<br>February 28,<br>2002 |
|------------------------------|--|---------|--|
| (in millions of Euro)        |  |         |  |
| REVENUES                     |  |         |  |
| o By Operating Activity:     |  |         |  |
| Food and Management Services |  |         |  |
| North America                | 2,950                                  | (9.0%)  | 3,241                                  |
| United Kingdom and Ireland   | 756                                    | (12.2%) | 862                                    |
| Continental Europe           | 1,799                                  | 4.8%    | 1,716                                  |
| Rest of the World            | 234                                    | (6.6%)  | 281                                    |
| Remote Sites                 | 270                                    | (10.5%) | 301                                    |
| Service Vouchers and Cards   | 127                                    | (8.0%)  | 138                                    |
| River and Harbor Cruises     | 32                                     | (1.7%)  | 33                                     |
|                              | -----                                  | -----   | -----                                  |
| TOTAL                        | 6,168                                  | (6.1%)  | 6,572                                  |
|                              | =====                                  | =====   | =====                                  |
| o by Geographic Region:      |  |         |  |
| North America                | 3,047                                  | (9.2%)  | 3,355                                  |
| United Kingdom and Ireland   | 810                                    | (10.8%) | 909                                    |
| France                       | 877                                    | 3.5%    | 847                                    |
| Rest of Europe               | 1,029                                  | 6.0%    | 970                                    |
| Rest of the World            | 405                                    | (17.6%) | 491                                    |
|                              | -----                                  | -----   | -----                                  |
| TOTAL                        | 6,168                                  | (6.1%)  | 6,572                                  |
|                              | =====                                  | =====   | =====                                  |
| Net Fixed Assets             |  |         |  |

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By Operating Activity :

Food and Management Services

|                            |       |         |       |
|----------------------------|-------|---------|-------|
| North America              | 2,768 | (17.4%) | 3,353 |
| United Kingdom and Ireland | 876   | (11.5%) | 990   |
| Continental Europe         | 688   | (0.9%)  | 694   |
| Rest of the World          | 54    | (26.2%) | 72    |
| Remote Sites               | 90    | (13.8%) | 105   |
| Service Vouchers and Cards | 123   | (16.2%) | 147   |
| River and Harbor Cruises   | 26    | (6.8%)  | 28    |
| Holding Companies          | 57    | 42.9%   | 40    |
|                            | ----- | -----   | ----- |
| TOTAL                      | 4,682 | (13.8%) | 5,429 |
|                            | ===== | =====   | ===== |

By Geographic Region:

|                            |       |         |       |
|----------------------------|-------|---------|-------|
| North America              | 2,849 | (17.4%) | 3,450 |
| United Kingdom and Ireland | 883   | (11.4%) | 996   |
| France                     | 376   | 0.3%    | 375   |
| Rest of Europe             | 412   | 2.2%    | 403   |
| Rest of the World          | 162   | (20.1%) | 205   |
|                            | ----- | -----   | ----- |
| TOTAL                      | 4,682 | (13.8%) | 5,429 |
|                            | ===== | =====   | ===== |

EBITA (before corporate expenses):

By Operating Activity:

Food and Management Services

|                            |      |         |       |
|----------------------------|------|---------|-------|
| North America              | 172  | (10.1%) | 191   |
| United Kingdom and Ireland | 5    | (72.6%) | 19    |
| Continental Europe         | 90   | 22.8%   | 73    |
| Rest of the World          | 1    | -       | (1)   |
| Remote Sites               | 10   | (26.2%) | 14    |
| Service Vouchers and Cards | 42   | (6.0)%  | 44    |
| River and Harbor Cruises   | (5)  | -       | (8)   |
| Holding Companies          | (21) | 11.3%   | (18)  |
|                            | ---  | -----   | ---   |
| TOTAL                      | 294  | (6.2%)  | 314   |
|                            | ==== | =====   | ===== |

IV ANALYSIS OF THE INCOME STATEMENT, BALANCE SHEET AND STATEMENT OF CASH FLOWS

Note 1) - Financial Expense, Net

|                                       | 6 months<br>ended<br>February 28,<br>2003 | 6 months<br>ended<br>February 28,<br>2002 |
|---------------------------------------|---|---|
| Interest income                       | 13  | 14  |
| Net variation in financial provisions | (1)                                       | (3)                                       |

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|                    |      |      |
|--------------------|------|------|
| Net exchange gains | (7)  | 19   |
| Interest expense   | (87) | (85) |
|                    | ---- | ---- |
|                    | (82) | (55) |
|                    | ==== | ==== |

The decrease in the financial result arises from 26 million euro of exchange losses: 12 million euro in exchange gains had been recorded in 2001/2002 by our subsidiary Luncheon Ticket on deposits in strong currencies before the devaluation of the Argentinian peso.

The increase in the dollar against the euro also enabled us to realize 5 million in exchange gains on cash held in dollars by the holding company during the first 6 months of fiscal 2001/2002; the balance of this cash in dollars realized an exchange loss of 2 million euro during the first six months of fiscal 2002/2003.

In the first half of 2002/2003, our subsidiary Sodexho Holdings Ltd recorded an exchange loss of 5 million euro arising from Euro/Sterling differences on part of its borrowings.

Interest expense primarily included 22 million euro of interest expense on the debt arranged in April 2001 at our subsidiary, Sodexho, Inc., and interest of 45 million euro on the 1996, 1999 and 2002 bond issuances.

### Note 2) - Exceptional Items

The net exceptional loss of 7 million euro is explained principally by a provision recorded on Sodexho Alliance shares held in connection with the exercise of certain employee stock options. To the extent that these treasury shares were related to options whose exercise price was higher than the fair value of the shares for February 2003 of 22.82 euro per share, the Group recorded a provision and corresponding charge for the difference from their cost.

### Note 3) - Income Tax Provision

Following is a reconciliation of income taxes computed at Sodexho Alliance's statutory rate to the actual income tax provision for the year ended February 28, 2003

|   |  |        |
|---|--|--------|
| Income before exceptional items, income taxes,<br>income from equity investees and goodwill<br>amortization |  | 212    |
| Exceptional items   |  | (7)    |
|   |  | ----   |
| Income before taxes   |  | 205    |
| Sodexho Alliance tax rate   |  | 35.43% |
| Theoretical tax provision   |  | (73)   |
| Effect of differing jurisdictional tax<br>rates   |  | (4)    |
| Permanent differences   |  | (2)    |
| Other tax   |  | (4)    |

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|  |      |
|--|------|
| Net operating loss carryforwards<br>utilized in the current year but generated in<br>prior years and not previously recognized | 4    |
| Current year non-recognition of net<br>operating loss carryforwards  | (3)  |
|  | ---- |
| Actual tax provision   | (82) |
| Withholding tax  | (1)  |
|  | ---- |
| Total income tax   | (83) |
|  | ==== |

### Note 4) - Goodwill

Principal goodwill amounts were as follows :

|  |              | August<br>31, 2002 | Additions<br>during<br>the<br>year | Disposal<br>during<br>the<br>year | Translation<br>adjustment | February<br>28, 2003 |
|--|--------------|--------------------|------------------------------------|-----------------------------------|---------------------------|----------------------|
| Sodexho, Inc.<br>(including Wood<br>Dining Services) | gross        | 1,039.8            | 8.8                                |                                   | (68.9)                    | 979.7                |
|  | amortization | (61.2)             | (17.0)                             |                                   | 3.5                       | (74.7)               |
| Sodexho Services<br>Group                            | gross        | 272.1              |                                    |                                   | (19.2)                    | 252.9                |
|  | amortization | (68.8)             | (4.5)                              |                                   | 5.2                       | (68.1)               |
| Sodexho Pass do<br>Brazil                            | gross        | 63.4               | 1.3                                |                                   | (3.6)                     | 61.1                 |
|  | amortization | (9.7)              | (1.0)                              |                                   | 0.3                       | (10.4)               |
| Sodexho<br>Management<br>Services                    | gross        | 56.0               |                                    |                                   | (4.0)                     | 52.0                 |
|  | amortization | (9.0)              | (0.9)                              |                                   | 0.7                       | (9.2)                |
| Sogeres  | gross        | 56.0               |                                    |                                   |                           | 56.0                 |
|  | amortization | (2.1)              | (0.9)                              |                                   |                           | (3.0)                |
| Sodexho<br>Scandinavian<br>Holding AB                | gross        | 53.7               | 0.5                                |                                   |                           | 54.2                 |
|  | amortization | (9.0)              | (0.9)                              |                                   |                           | (9.9)                |
| Sodexho Espana                                       | gross        | 28.5               |                                    |                                   |                           | 28.5                 |
|  | amortization | (7.4)              | (0.5)                              |                                   |                           | (7.9)                |
| Sodexho Belgique                                     | gross        | 22.9               |                                    |                                   |                           | 22.9                 |
|  | amortization | (8.0)              | (0.4)                              |                                   |                           | (8.4)                |
| Tillery Valley                                       |              |                    |                                    |                                   |                           |                      |

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|  |              |         |        |       |         |         |
|--|--------------|---------|--------|-------|---------|---------|
| Foods  | gross        | 22.7    |        |       | (1.6)   | 21.1    |
|  | amortization | (4.5)   | (0.4)  |       | 0.4     | (4.5)   |
| Luncheon Tickets                                 | gross        | 22.5    |        |       |         | 22.5    |
|  | amortization | (3.0)   | (0.4)  |       |         | (3.4)   |
| Sodexho Italie                                   | gross        | 17.9    |        |       |         | 17.9    |
|  | amortization | (2.4)   | (0.3)  |       |         | (2.7)   |
| Universal Services                               | gross        | 17.2    |        |       |         | 17.2    |
|  | amortization | (1.6)   | (0.3)  |       |         | (1.9)   |
| Other goodwill<br>(less than 15<br>million euro) | gross        | 172.4   | 1.8    | 2.7   | (4.7)   | 166.8   |
|  | amortization | (42.7)  | (4.1)  | (2.7) | 0.6     | (43.5)  |
| Total goodwill                                   | gross        | 1,845.1 | 12.4   | 2.7   | (102.0) | 1,752.8 |
|  | amortization | (229.4) | (31.6) | (2.7) | 10.7    | (247.6) |
|  | Net          | 1,615.7 | (19.2) | 0     | (91.3)  | 1,505.2 |

Note 5) - Intangible Assets

|                               | August<br>31, 2002 | Addi-<br>tions<br>during<br>the<br>year | Dispo-<br>sals<br>during<br>the<br>year | Changes<br>in<br>consoli-<br>dation<br>scope | Trans-<br>lation<br>adjust-<br>ments | February<br>28, 2003 |
|-------------------------------|--------------------|---|---|--|--------------------------------------|----------------------|
| Market Shares:                |                    |   |   |  |                                      |                      |
| North America<br>(FMS)        | 1,851.0            |   |   |  | (162.9)                              | 1,688.1              |
| North America (RS)            | 44.4               |   |   |  | (3.9)                                | 40.5                 |
| United Kingdom and<br>Ireland | 589.3              |   |   |  | (42.2)                               | 547.1                |
| Netherlands                   | 86.1               |   |   |  |                                      | 86.1                 |
| Sweden                        | 77.9               |   |   |  | 0.2                                  | 78.1                 |
| Australia                     | 10.2               |   |   |  |                                      | 10.2                 |
| France                        | 137.0              |   |   |  |                                      | 137.0                |
|                               | -----              | -----                                   | -----                                   | -----  | -----                                | -----                |
| Total Cost                    | 2,795.9            | 0.0                                     | 0.0                                     | 0.0  | (208.8)                              | 2,587.1              |
| Diminutions in value          | (1.2)              |   |   |  |                                      | (1.2)                |
|                               | -----              | -----                                   | -----                                   | -----  | -----                                | -----                |
| Net book<br>value             | 2,794.7            | 0.0                                     | 0.0                                     | 0.0  | (208.8)                              | 2,585.9              |

Other Intangible Assets:

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|  |         |       |       |       |         |         |
|--|---------|-------|-------|-------|---------|---------|
| Cost   | 190.6   | 24.3  | 3.6   | (0.3) | (12.6)  | 198.4   |
| Accumulated<br>amortization and<br>diminutions in<br>value | (45.2)  | (9.6) | (0.3) |       | 2.4     | (52.1)  |
| Net book<br>value  | 145.4   | 14.7  | 3.3   | (0.3) | (10.2)  | 146.3   |
| TOTAL:   |         |       |       |       |         |         |
| Cost   | 2,986.5 | 24.3  | 3.6   | (0.3) | (221.4) | 2,785.5 |
| Accumulated<br>amortization and<br>diminutions in value    | (46.4)  | (9.6) | (0.3) |       | 2.4     | (53.3)  |
| Net book<br>value  | 2,940.1 | 14.7  | 3.3   | (0.3) | (219.0) | 2,732.2 |
|  | =====   | ===== | ===== | ===== | =====   | =====   |

FMS : Food and Management Services

RS : Remote Sites

Note 6) - Property, Plant and Equipment

|                         | August<br>31, 2002 | Additions<br>during<br>the year | Disposals<br>during<br>the year | Changes<br>in consoli-<br>dation<br>scope | Trans-<br>lation<br>adjust-<br>ments | February<br>28, 2003 |
|-------------------------|--------------------|---------------------------------|---------------------------------|---|--------------------------------------|----------------------|
| TOTAL                   |                    |                                 |                                 |   |                                      |                      |
| Cost                    | 924.2              | 66.3                            | 30.1                            | 0.5                                       | (53.3)                               | 907.6                |
| Diminutions in<br>value | (553.6)            | (56.3)                          | (25.9)                          | 0.3                                       | 33.8                                 | (549.9)              |
| Net book<br>value       | 370.6              | 10                              | 4.2                             | 0.8                                       | (19.5)                               | 357.7                |
|                         | =====              | =====                           | =====                           | =====                                     | =====                                | =====                |

- Capital Leases

Assets recorded under capital lease arrangements totaled 121 million euro gross, 81 million euro accumulated, and 40 million euro net as of February 28, 2003 (44 million euro net as of August 31, 2002).



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|                             | August<br>31, 2002 | Increase<br>(decrease)<br>during<br>the<br>year | Changes<br>in conso-<br>lidation<br>scope | Trans-<br>lation<br>adjust-<br>ments | February<br>28, 2003 |
|-----------------------------|--------------------|---|---|--------------------------------------|----------------------|
| Investment securities       |                    |   |   |                                      |                      |
| Cost                        | 19.5               | 0.3   | 13.4                                      | (0.5)                                | 32.7                 |
| Diminutions in value        | (8.6)              | 0.0   | 0.0                                       | 0.1                                  | (8.5)                |
| Net book value              | <u>10.9</u>        | <u>0.3</u>                                      | <u>13.4</u>                               | <u>(0.4)</u>                         | <u>24.2</u>          |
| Other investments           |                    |   |   |                                      |                      |
| Cost                        | 23.3               | (0.5)   | 0.0                                       | (0.2)                                | 22.6                 |
| Diminutions in value        | (0.8)              | (0.5)   | 0.0                                       | 0.0                                  | (1.3)                |
| Net book value              | <u>22.5</u>        | <u>(1.0)</u>                                    | <u>0.0</u>                                | <u>(0.2)</u>                         | <u>21.3</u>          |
| Receivables from investees  |                    |   |   |                                      |                      |
| Cost                        | 14.2               | 0.0   | 0.0                                       | (0.6)                                | 13.6                 |
| Diminutions in value        | 0.0                | 0.0   | 0.0                                       | 0.0                                  | 0.0                  |
| Net book value              | <u>14.2</u>        | <u>0.0</u>                                      | <u>0.0</u>                                | <u>(0.6)</u>                         | <u>13.6</u>          |
| Cost                        | 7.5                | (1.4)   | 0.0                                       | (0.1)                                | 6.0                  |
| Diminutions in value        | (0.1)              | 0.0   | 0.0                                       | 0.0                                  | (0.1)                |
| Net book value              | <u>7.4</u>         | <u>(1.4)</u>                                    | <u>0.0</u>                                | <u>(0.1)</u>                         | <u>5.9</u>           |
| Cost                        | 12.9               | (0.2)   | (0.2)                                     | 0.2                                  | 12.7                 |
| Diminutions in value        | 0.0                | 0.0   | 0.0                                       | 0.0                                  | 0.0                  |
| Net book value              | <u>12.9</u>        | <u>(0.2)</u>                                    | <u>(0.2)</u>                              | <u>0.2</u>                           | <u>12.7</u>          |
| Total financial investments |                    |   |   |                                      |                      |
| Cost                        | 77.4               | (1.8)   | 13.2                                      | (1.2)                                | 87.6                 |
| Diminutions in value        | (9.5)              | (0.5)   | 0.0                                       | 0.1                                  | (9.9)                |
| Net book value              | <u>67.9</u>        | <u>(2.3)</u>                                    | <u>13.2</u>                               | <u>(1.1)</u>                         | <u>77.7</u>          |
|                             | =====              | =====   | =====                                     | =====                                | =====                |

(\* ) These items are included in working capital in the cash flow statement.

- Significant investment securities

Significant investment securities include a 13 million euro investment in 100% of PAKZON BV, a company deconsolidated in the first half of 2002-2003 and

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which is being liquidated; a 3 million euro investment in 15.8% of STADIUM AUSTRALIA MANAGEMENT; a 3 million euro investment in 9.3% of SODEX JAPAN COMPANY LTD and a 1 million euro investment in 10.7% of SOCIETE PRIVEE DE GESTION.

### Note 8) - Investments in Equity Investees

|                            | Gross<br>balance,<br>August<br>31, 2002 | Current<br>year net<br>income<br>(loss) | Changes<br>in consoli-<br>dation<br>scope | Translation<br>adjustments<br>and other | Gross<br>balance,<br>February<br>28, 2003 |
|----------------------------|---|---|---|---|---|
| Equity method<br>investees | 10.9                                    | 1.5                                     | (1.0)                                     | (2.6)                                   | 8.8                                       |

### Note 9) - Inventories and work in progress

Inventories principally comprise food and other consumable items with a high turnover rate and are valued on a first in first out basis.

### Note 10) - Prepaid Expenses, Other Receivables and Other Assets

|                                | Gross<br>value,<br>February<br>28, 2003 | Diminutions<br>in value,<br>February<br>28, 2003 | Gross<br>value,<br>August 31,<br>2002 | Diminutions<br>in value,<br>August 31,<br>2002 |
|--------------------------------|---|--|---------------------------------------|--|
| Advances                       | 8                                       |  | 10                                    |  |
| Other operating<br>receivables | 256                                     | (1)  | 238                                   | (2)  |
| Investment<br>receivables      | 2                                       |  | 1                                     |  |
| Financing<br>receivables       | 1                                       |  | 1                                     |  |
| Total other receivables        | 267                                     | (1)  | 250                                   | (2)  |
| Prepaid expenses               | 68                                      |  | 64                                    |  |
| Deferred financing<br>charges  | 25                                      |  | 29                                    |  |
| Other deferred<br>charges (*)  | 158                                     |  | 155                                   |  |

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|                        |       |      |       |       |
|------------------------|-------|------|-------|-------|
| Net deferred tax asset | 95    |      | 110   |       |
|                        | ----  | ---  | ----  | ----  |
| Total                  | 613   | (1)  | 608   | (2)   |
|                        | ===== | ==== | ===== | ===== |

(\*) This item is classified as fixed assets in the cash flow statement.

Note 11) - Accounts and Other Receivables

|                     | Gross values, February 28, 2003 | Diminution in value, February 28, 2003 | Net book value, February 28, 2003 | Due within one year | Due from one to five years | Due after five years | Net book value August 31, 2002 |
|---------------------|---------------------------------|--|-----------------------------------|---------------------|----------------------------|----------------------|--------------------------------|
| Accounts receivable | 1,661                           | 58                                     | 1,603                             | 1,587               | 16                         | 0                    | 1,456                          |
| Other receivables   | 267                             | 1                                      | 266                               | 197                 | 69                         | 0                    | 248                            |
| Prepayments         | 68                              | 0                                      | 68                                | 62                  | 6                          | 0                    | 64                             |

The allowance for doubtful accounts represents 3.5% of accounts receivable as of February 28, 2003.

Concentration of credit risk within accounts receivable is limited because of the large customer base. The Group generally does not require collateral or specific guarantees.

Note 12) - Deferred Charges

|                          | Net book value, February 28, 2003 | Due within one year | Due from one to five years | Due after five years | Net book value, August 31, 2002 |
|--------------------------|-----------------------------------|---------------------|----------------------------|----------------------|---------------------------------|
| Deferred financing costs | 25                                | 6                   | 17                         | 2                    | 29                              |
| Deferred charges         | 158                               | 42                  | 78                         | 38                   | 155                             |

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Deferred financing costs are amortized over the maturity period of the related debt.

As of February 28, 2003, deferred charges mainly include 119 million euro of investments in client facilities in the United States, which are amortized over the life of the related contract, and bid costs on long-term contracts, which are amortized over the shorter of the life of the related contract and ten years.

### Note 13) - Deferred taxes

|                          | February 28,<br>2003 | August 31,<br>2002 |
|--------------------------|----------------------|--------------------|
| Deferred tax assets      | 95                   | 110                |
| Deferred tax liabilities | (16)                 | (18)               |
|                          | ---                  | ---                |
| Net deferred tax assets  | 79                   | 92                 |
|                          | ===                  | ===                |

As of February 28, 2003, deferred tax assets which were not recorded because their realization was not considered probable totaled 25 million euro.

#### Breakdown of deferred taxes

|                                  |  |       |
|----------------------------------|--|-------|
| Deductible temporary differences |  |       |
| - Staff cost provisions          |  | 84    |
| - Other temporary differences    |  | (24)  |
| Net operating loss carryforwards |  | 19    |
|                                  |  | ----- |
| TOTAL                            |  | 79    |
|                                  |  | ===== |

### Note 14) - Deposits and marketable securities

Deposits and marketable securities include 2,566,529 shares in Sodexho Alliance purchased for a total amount of 98 million euro. These shares are to be used to fulfill our obligation with respect to Sodexho, Inc. employees, who held Sodexho Marriott Services, Inc. stock options which were transformed into equivalent options to purchase Sodexho Alliance shares in connection with our acquisition of the remaining 53% of Sodexho Marriott Services, Inc. As a result of the decline in value of Sodexho Alliance shares as of February 28, 2003, the shares (only 1,325,126 shares are exercisable) potentially in excess of those needed to fund these obligations were provisioned by 9 million euro in

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order to reflect their market value as of February 28, 2003.

Deposits and marketable securities represent short-term cash investments and are stated at the lower of cost or net realizable value.

The fair values of deposits and marketable securities are shown in note IV.20.

### Note 15) - Restricted cash

Restricted cash consists of funds set aside in order to comply with regulations governing the issuance of restaurant vouchers in France (139 million euro) and as a guarantee for certain commitments entered into by Mexican affiliates (13 million euro).

### Note 16) - Shareholders' Equity

Changes in shareholders' equity are as follows (in millions of euro):

|  | Shares<br>outstan-<br>ding | Common<br>stock | Additional<br>paid-in<br>capital | Retained<br>earn-<br>ings | Foreign<br>currency<br>transla-<br>tion | Treasury<br>shares | Group<br>net<br>income | Share-<br>holders'<br>equity |
|--|----------------------------|-----------------|----------------------------------|---------------------------|---|--------------------|------------------------|------------------------------|
| Share<br>holders'<br>equity,<br>August<br>31,<br>2001  | 157,559,654                | 630             | 1,141                            | 441                       | 86                                      | (31)               | 138                    | 2,405                        |
| Share<br>capital   | 1,461,762                  | 6               | 50                               |                           |   |                    |                        | 56                           |
| Dividend<br>payments by<br>the holding<br>company (net<br>of dividends<br>on treasury<br>shares) |                            |                 |                                  | 51                        |   |                    | (138)                  | (87)                         |
| Net income for<br>the period   |                            |                 |                                  |                           |   |                    | 183                    | 183                          |
| Foreign<br>currency<br>translation<br>adjustment   |                            |                 |                                  | 3                         | (162)                                   |                    |                        | (159)                        |
| Share<br>holder'<br>equity,<br>August  | 159,021,416                | 636             | 1,191                            | 495                       | (76)                                    | (31)               | 183                    | 2,398                        |

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31, 2002

|  |             |       |       |       |       |       |       |       |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|
| Share capital increase   | 149         |       |       |       |       |       |       | 0     |
| Dividend payments by the holding company (net of dividends on treasury shares) |             |       | 86    |       | (183) |       |       | (97)  |
| Net income for the period  |             |       |       |       | 86    |       |       | 86    |
| Foreign currency translation adjustment  |             |       |       | (195) |       |       |       | (195) |
| Share-holders' equity, February 28, 2003                                       | 159,021,565 | 636   | 1,191 | 581   | (271) | (31)  | 86    | 2,192 |
|  | =====       | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

Indirectly Held Treasury shares:

As of February 28, 2003, SOFINSOD had a 5.57% indirect interest in SODEXHO ALLIANCE S.A. through its 14.4% interest in the capital of BELLON SA, which in turn holds 38.69% of SODEXHO ALLIANCE S.A.

As of February 28, 2003, SOFINSOD and ETINBIS together had a 1.59% indirect interest in SODEXHO ALLIANCE S.A., through their respective 56.88% and 43.11% interests in LA SOCIETE FINANCIERE DE LA PORTE VERTE, which in turn owns 4.10% of BELLON S.A., which in turn holds 38.69% of SODEXHO ALLIANCE S.A.

Note 17)- Minority Interests

Changes in minority interests are as follows:

|                      |                    |
|----------------------|--------------------|
| February 28,<br>2003 | August 31,<br>2002 |
|----------------------|--------------------|

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|                                       |      |      |
|---------------------------------------|------|------|
| Minority interests, beginning of year | 73   | 131  |
| Share capital increase                | 0    | 0    |
| Dividends paid                        | (6)  | (15) |
| Net income for the period             | 6    | 13   |
| Change in consolidation scope         | (3)  | (54) |
| Currency translation and other        | (2)  | (2)  |
|                                       | ---- | ---- |
| Minority interests, end of year       | 68   | 73   |
|                                       | ==== | ==== |

Note 18)- Provisions for Contingencies and Losses

Provisions for contingencies and losses include the following amounts:

|   | August<br>31,<br>2002 | Increase | Release | Release<br>without<br>correspond-<br>ing<br>charge | Transla-<br>tion<br>differences<br>and other<br>and other | Change<br>in<br>consoli-<br>dation<br>scope | February<br>28,<br>2003 |
|---|-----------------------|----------|---------|--|---|---|-------------------------|
| Sodexho, Inc.<br>transaction-<br>related<br>liabilities | 5                     |          |         |  | (1)   |   | 4                       |
| Payroll and<br>other taxes                              | 39                    | 6        | (1)     | (4)  | (3)   |   | 37                      |
| Contract<br>termination<br>costs                        | 22                    |          | (5)     |  | (5)   |   | 12                      |
| Client and<br>supplier<br>litigation                    | 5                     | 1        | (1)     |  |   |   | 5                       |
| Employee<br>litigation                                  | 18                    | 1        | (2)     |  |   |   | 16                      |
| Large repairs   | 6                     |          |         |  | (1)   |   | 6                       |
| Other   | 4                     |          |         |  |   | 1   | 5                       |
|   | ----                  | ----     | ----    | ----   | ----  | ----  | ----                    |
|   | 99                    | 8        | (9)     | (4)  | (10)  | 1   | 85                      |
|   | ====                  | ====     | ====    | ====   | ====  | ====  | ====                    |

The following table summarizes the net impact of the charges and

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releases of provisions for contingencies and losses on the fiscal 2003  
income statement:

|             | Charge | Release |
|-------------|--------|---------|
| Operating   | 7      | (6)     |
| Financial   | 0      | 0       |
| Exceptional | 1      | (7)     |
|             | --     | --      |
|             | 8      | (13)    |
|             | ==     | ==      |

### Note 19) - Borrowings and Financial Debt

Future payments on borrowings and other debt balances as of February  
28, 2003 were due as follows:

|                          | Less<br>than<br>one year | One to<br>five<br>years | More<br>than<br>five<br>years | February<br>28,<br>2003 | August 31,<br>2002 |
|--------------------------|--------------------------|-------------------------|-------------------------------|-------------------------|--------------------|
| Bonds                    |                          |                         |                               |                         |                    |
| Euro                     | 81                       | 305                     | 1,300                         | 1,686                   | 1,642              |
|                          | -----                    | -----                   | -----                         | -----                   | -----              |
|                          | 81                       | 305                     | 1,300                         | 1,686                   | 1,642              |
| Bank borrowings          |                          |                         |                               |                         |                    |
| US dollars (1)           | 153                      | 858                     | 1                             | 1,012                   | 1,175              |
| Euro (1)                 | (100)                    | (420)                   | 59                            | (461)                   | (501)              |
| Pounds Sterling (1)      | 80                       | 88                      | 0                             | 168                     | 224                |
| Other currencies         | 27                       | 17                      | 0                             | 44                      | 41                 |
|                          | -----                    | -----                   | -----                         | -----                   | -----              |
|                          | 160                      | 543                     | 60                            | 763                     | 939                |
| Capital Lease Obligation |                          |                         |                               |                         |                    |
| US dollars               | 3                        | 7                       | 0                             | 10                      | 12                 |
| Euro                     | 13                       | 18                      | 2                             | 33                      | 36                 |
| Other currencies         | 0                        | 4                       | 0                             | 4                       | 4                  |
|                          | -----                    | -----                   | -----                         | -----                   | -----              |
|                          | 16                       | 29                      | 2                             | 47                      | 52                 |
| Other borrowings         |                          |                         |                               |                         |                    |



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|                         |       |       |       |       |       |
|-------------------------|-------|-------|-------|-------|-------|
| Euro                    | 2     | 1     | 1     | 4     | 5     |
|                         | ----  | ----  | ----  | ----  | ----  |
|                         | 2     | 1     | 1     | 4     | 5     |
| Bank overdraft balances |       |       |       |       |       |
| Euro                    | 37    |       |       | 37    | 18    |
| Pounds Sterling         | 77    |       |       | 77    | 31    |
| Other currencies        | 2     |       |       | 2     | 6     |
|                         | ----  | ----  | ----  | ----  | ----  |
|                         | 116   | 0     | 0     | 116   | 55    |
|                         | ----  | ----  | ----  | ----  | ----  |
| Total                   | 375   | 878   | 1,363 | 2,616 | 2,693 |
|                         | ===== | ===== | ===== | ===== | ===== |

(1) Includes the effect of swaps

Note 19a) - Bond Issues

|  | August 31,<br>2002 | Increase | Repayments | Translation<br>Differences | February<br>28, 2003 |
|--|--------------------|----------|------------|----------------------------|----------------------|
| 1996 bond issue - FRF<br>2,000,000,000 |                    |          |            |                            |                      |
| Principal                              | 305                |          |            |                            | 305                  |
| Accrued interest                       | 4                  | 9        |            |                            | 13                   |
|  | ----               | ----     | ----       | ----                       | ----                 |
| Total                                  | 309                | 9        | 0          |                            | 318                  |
| Number of securities                   | 400,000            |          |            |                            | 400,000              |
| 1999 bond issue - EUR<br>300,000,000   |                    |          |            |                            |                      |
| Principal                              | 300                |          |            |                            | 300                  |
| Accrued interest                       | 7                  | 6        |            |                            | 13                   |
|  | ----               | ----     | ----       | ----                       | ----                 |
| Total                                  | 307                | 6        | 0          |                            | 313                  |
| Number of securities                   | 300,000            |          |            |                            | 300,000              |

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2002 bond issue - EUR

1,000,000,000

|                  |           |        |       |       |           |
|------------------|-----------|--------|-------|-------|-----------|
| Principal        | 1,000     |        |       |       | 1,000     |
| Accrued interest | 26        | 29     |       |       | 55        |
|                  | -----     | -----  | ----- | ----- | -----     |
| Total            | 1,026     | 29     | 0     | 0     | 1,055     |
|                  | -----     | -----  | ----- | ----- | -----     |
| <br>Total        | <br>1,642 | <br>44 | <br>0 | <br>0 | <br>1,686 |
|                  | =====     | =====  | ===== | ===== | =====     |

### EUR 305 bond issue

On May 22, 1996, SODEXHO ALLIANCE issued 400,000 bonds with a nominal value of FRF 5,000 each (EUR 762.25) representing a total of FRF 2 billion (305 million euro). The bonds are redeemable at par on June 7, 2004 and bear interest at 6 percent per annum, which is payable on June 7 annually. Each bond carried a warrant, entitling the bearer to purchase one SODEXHO ALLIANCE share prior to June 7, 2004 for FRF 2,700, with a current exercise price of 24.71 euro per share. There were 374,773 warrants and 400,000 bonds outstanding as of February 28, 2003.

### EUR 300 million bond issue

On March 16, 1999, SODEXHO ALLIANCE issued 300,000 bonds of 1,000 euro each for total proceeds of 300 million euro. The bonds will be fully redeemable at par on March 16, 2009. The bonds carry interest at 4.625 percent per annum, which is payable on March 16 annually. There were 300,000 bonds outstanding at February 28, 2003.

### EUR 1 billion bond issue On March 25, 2002

SODEXHO issued bonds totaling 1 billion euro, maturing on March 25, 2009, and carrying interest of 5.875% payable on March 25 annually.

### Note 19b) - Other Borrowings

At February 28, 2003, portions of thee three tranches of the credit facility negotiated with a syndicate of banks in April 2001 and guaranteed by SODEXHO ALLIANCE have been reimbursed as follows:

- Tranche A totaling 1,932 million euro, of which 875 million euro was outstanding as of August 31, 2001, has been fully reimbursed;

- USD 172 million of Tranche B, issue total of USD 930 million, has quarterly repayments over five years. Pursuant to the swap agreement described in note 20 below the U.S. dollar variable LIBOR-based rate has been swapped for a fixed rate;

- Tranche C totaling USD 150 million (available for short-term financing, working capital needs and for letters of credit and reimbursable in full in 2006), was not utilized as of February 28, 2003.

### Covenants

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The Group's debt is subject to covenants with customary terms. These covenants pertain to our financing arrangements, which in certain cases, could limit our ability to develop our business. These agreements limit the following: our ability to sell assets; the possibility for our subsidiaries to borrow or give guarantees; our ability to seek certain types of financing arrangements; the ratio of net debt to our EBITA plus depreciation and provisions; and the ratio of financial result to EBITA.

### Interest rates

In accordance with Group policy, the majority of variable rate borrowings are swapped to fixed interest rates. If borrowings are arranged other than in local currency, a currency swap agreement is negotiated.

As of February 28, 2003, 92% of borrowings were at fixed rates (including those swapped) and the average interest rate for fiscal 2003 was 5.60%.

### Note 20) - Financial Instruments

The table below shows the impact of the financial instruments on the borrowings and financial debt as detailed in Note 19.

| Equivalent<br>in millions of euro    | Note | Borrowings<br>in EUR | Borrowings<br>in USD | Borrowings<br>in GBP | Other<br>currencies | TOTAL |
|--------------------------------------|------|----------------------|----------------------|----------------------|---------------------|-------|
| a) Cross currency swaps              |      |                      |                      |                      |                     |       |
| - UK borrowings                      | 1)   |                      |                      |                      |                     |       |
| Due to the bank<br>114.5 M GBP*      |      |                      |                      |                      |                     |       |
| 1.461561                             |      |                      |                      | 167                  |                     | 167   |
| Due from the bank<br>157.6 M EUR     |      | (158)                |                      |                      |                     | (158) |
| - Sxo do Brazil borrowings           |      |                      |                      |                      |                     |       |
| Due to the bank<br>1.7M USD*0.927472 |      |                      |                      |                      |                     |       |
|                                      |      |                      | 2                    |                      |                     | 2     |
| Due from the bank<br>1.7M EUR        |      | (2)                  |                      |                      |                     | (2)   |
| - Sodexho Scandinavia                |      |                      |                      |                      |                     |       |
| Due to the bank<br>175M SEK*0.10934  | 2)   |                      |                      |                      |                     |       |
|                                      |      |                      |                      |                      | 19                  | 19    |

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|                        |       |       |     |       |
|------------------------|-------|-------|-----|-------|
| Due from the bank      |       |       |     |       |
| 19.5M eur              | (20)  |       |     | (20)  |
|                        |       |       |     |       |
| - Sodexho Inc.         |       |       |     |       |
| Borrowings             | 3)    |       |     |       |
|                        |       |       |     |       |
| Due to the bank        |       |       |     |       |
| 309.5 M USD*           |       |       |     |       |
| 0.927472               |       | 287   |     | 287   |
|                        |       |       |     |       |
| Due from the bank      |       |       |     |       |
| 348.8 M EUR            | (349) |       |     | (349) |
|                        |       |       |     |       |
| b) Debt subject to     |       |       |     |       |
| swap agreements        | 68    | 703   |     | 771   |
|                        |       |       |     |       |
| c) Debt not subject to |       |       |     |       |
| swap agreements        |       | 20    | 1   | 25    |
|                        | ----  | ----- | --- | ---   |
| Total borrowings       | (461) | 1,012 | 168 | 44    |
|                        | ===== | ===== | === | ====  |

### a) Cross Currency Swaps:

1) In order to match the cash flows on debt repayments with the currency of our U.K. subsidiary (the 1995 acquisition of Gardner Merchant 1995 was made in GBP), the Group negotiated the following swap transactions:

- in fiscal 1996, an amortizing cross currency swap with a maturity date of August 29, 2003 (8.3% against 5.25% in pounds sterling against euro) on an intercompany loan of 305 million euro; and

- in October 1999, a cross currency swap (capped LIBOR in pounds sterling against 5.25% in pounds sterling against euro) on an intercompany loan of 93 million euro. The total of the two swaps as of February 28, 2003 amounted to 158 million euro. The increase in the value of the sterling against the euro increased borrowings as converted to euro by 9.7 million euro related to these instruments as of February 28, 2003.

2) In June 1999, a cross currency swap was negotiated on a loan of 50.1 million euro (19.5 million euro as of February 28, 2003) to Sodexho Scandinavian Holding AB (4.15% against a variable interest rate in Swedish Crowns). This swap terminates in August 2005.

3) In March 2002, a cross currency swap was negotiated on a loan of 309 million euro to SODEXHO, Inc. repayable over 5 years (6.325% against 6.5775% in euro against U.S. dollars). As of February 28, 2003 the swaps amounted to 349 million euro, and the decrease in the dollar against the euro led to a decrease in the debt as converted to euro of 62 million euro.

### b) Debt subject to swap agreements

- Several interest rate swaps (1.8% to 5.9% against US dollar LIBOR) with the following maturities were negotiated in order to convert variable rate interest to fixed on USD 758 million (703 million euro) drawn on Tranche B of the credit facility described above. Following are the maturities of the underlying notional amounts.

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| Fiscal year                               | 6 months<br>ended August<br>31, 2003 | 2003-2004 | 2004-2005 |
|---|--------------------------------------|-----------|-----------|
| Notional amounts (in<br>millions of USD)  | 110                                  | 278       | 370       |
| Notional amounts (in<br>millions of euro) | 102                                  | 258       | 343       |

In October 1999, the Group negotiated an interest rate swap maturing in 2004 on a notional amount of 68 million euro which converted fixed rate debt at 5.2% to EURIBOR.

Fair Values of Financial Instruments Following are the fair values of the Grou's financial instruments as of February 28, 2003:

| ASSETS                      | Net book<br>value | Fair value | Difference |
|-----------------------------|-------------------|------------|------------|
| Investment securities       | 24                | 24         | 0          |
| Receivables from investees  | 14                | 14         | 0          |
| Loans receivable            | 6                 | 6          | 0          |
| Other long-term securities  | 21                | 21         | 0          |
| Deposits and other          | 13                | 13         | 0          |
|                             | ----              | ----       | ----       |
| Total Financial Investments | 78                | 78         | 0          |
| Equity method investees     | 9                 | 9          | 0          |
| Cash                        | 4                 | 4          | 0          |
| Term deposits               | 87                | 87         | 0          |
| Debt Securities             | 125               | 125        | 0          |
| Listed Securities           | 0                 | 0          | 0          |

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|  |       |       |          |
|--|-------|-------|----------|
| Mutual funds SICAV   | 230   | 230   | 0        |
| Mutual funds other   | 8     | 8     | 0        |
| SODEXHO ALLIANCE shares                                      | 90    | 59    | (*) (31) |
|  | ----- | ----- | ----     |
| Total marketable securities<br>and other                     | 544   | 513   | (31)     |
| Restricted cash  | 152   | 152   | 0        |
|  | ----- | ----- | ----     |
| Total  | 783   | 752   | (31)     |
|  | ===== | ===== | =====    |
| LIABILITIES  |       |       |          |
| 2002 1 billion euro bond issuance                            | 1,055 | 1,127 | 72       |
| 1999 300 million euro bond issuance                          | 313   | 315   | 2        |
| 1996 305 million euro (FRF 2,000<br>million) bond issuance   | 318   | 324   | 6        |
|  | ----- | ----- | ----     |
| Total bonds  | 1,686 | 1,766 | 80       |
| SODEXHO, INC. borrowings                                     | 709   | 721   | 12       |
| Swap on intercompany loan with SODEXHO<br>SERVICES GROUP LTD | (6)   | (5)   | 1        |
| Swap on intercompany loan with SODEXHO<br>HOLDINGS LTD       | 15    | 17    | 2        |
| Swap on intercompany loan with SODEXHO<br>INC                | (62)  | (64)  | (2)      |
| Other  | 107   | 107   | 0        |
|  | ----- | ----- | ----     |
| Total  | 763   | 776   | 13       |
| Bank overdrafts  | 116   | 116   | 0        |
| Other debt   | 51    | 51    | 0        |
|  | ----- | ----- | ----     |
| Total bank debt  | 2,616 | 2,709 | 93       |
| Other non-operating borrowings:                              |       |       |          |
| Debt on acquisition of 53% of SODEXHO<br>INC                 | 36    | 5     | (*) (31) |
|  | ----- | ----- | ----     |
| Total  | 2,652 | 2,714 | 62       |
|  | ===== | ===== | =====    |

(\*) part of the acquisition debt for the remaining SODEXHO MARRIOTT SERVICES, Inc. shares acquired in June 2001 was payable in the equivalent of SODEXHO ALLIANCE shares; the debt has been revalued using the price paid by SODEXHO to purchase its own shares on the open market.

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The market value of SODEXHO ALLIANCE shares and the debt as of February 28, 2003 is below the 31 million euro book value.

### Note 21) - Other liabilities

|   | February 28, 2003 | August 31, 2002 |
|---|-------------------|-----------------|
| Advances from clients and deposits received | 165               | 130             |
| Taxes and social charges payable            | 962               | 985             |
| Other operating liabilities                 | 68                | 81              |
| Other non-operating liabilities             | 160               | 55              |
| Deferred revenue                            | 24                | 29              |
| Deferred tax liabilities                    | 16                | 18              |
|   | -----             | -----           |
| Total                                       | 1,395             | 1,298           |
|   | =====             | =====           |

### Note 22) - Statement of Cash Flows - Additional Information

The table below only details the changes in balance sheet elements which have an impact on the cash flow statement. It does not take into account exchange differences, changes in consolidation scope or other changes which do not have an impact on the cash flow statement.

### Note 22a) - Changes in Working Capital

|   | Assets | Liabilities | Total Change |
|---|--------|-------------|--------------|
| Inventories   | 19     |             |              |
| Accounts receivable, net of allowance for doubtful accounts | 217    |             |              |
| Other operating receivables                                 | 33     |             |              |
| Prepaid expenses  | 7      |             |              |
| Accounts payable  |        | 118         |              |
| Vouchers payable  |        | 26          |              |
| Taxes and social charges payable                            |        | 21          |              |
| Other operating payables                                    |        | 31          |              |
| Deferred revenues   |        | (6)         |              |
|   | ----   | ----        | ----         |
| Change in working capital from operating activities         | 276    | 190         | (86)         |
| Investment related receivables                              | 1      |             |              |

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|  |      |      |      |
|--|------|------|------|
| Investment related payables                          |      | (6)  |      |
|  | ---- | ---- | ---- |
| Change in working capital from investment activities | 1    | (6)  | (7)  |
| Financing related receivables                        | 7    |      |      |
| Financing related payables                           |      | 96   |      |
|  | ---- | ---- | ---- |
| Change in working capital from financing activities  | 7    | 96   | 89   |

Note 22b) - Acquisitions and Disposals of Tangible and Intangible Assets and Subsidiaries

|  | Acquisitions | Disposals | Net     |
|--|--------------|-----------|---------|
| Tangible and intangible assets (*)                                 | (120.5)      | 7.4       | (113.1) |
| Variation in financial investments                                 | 0            | 1.4       | 1.4     |
|  | -----        | ----      | -----   |
| Total acquisitions and disposals of tangible and intangible assets | (120.5)      | 8.8       | (111.7) |
| Acquisitions and disposals of subsidiaries                         | (7.5)        | 1.6       | (5.9)   |
| Less: tax on gains from disposal                                   |              | (0.3)     | (0.3)   |
| Less: cash in acquired and disposed of companies                   | 2.6          | (0.4)     | 2.2     |
| Total change in consolidation scope                                | (4.9)        | 0.9       | (4.0)   |
|  | -----        | ----      | -----   |
|  | (125.4)      | 9.7       | (115.7) |
|  | =====        | =====     | =====   |

(\*) including deferred charges classified as fixed assets

Note 23) - Commitments

|                                       |       |
|---------------------------------------|-------|
| Financial guarantees to third parties | 38    |
| Performance bonds on operating leases | 88    |
| Client performance bonds              | 23    |
| Other commitments                     | 3     |
|                                       | ----  |
| Total                                 | 152   |
|                                       | ===== |

Note 23a) Minority shares of Patriot Medical Technologies, Inc.



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Commitment made The Group has entered into a put agreement with the minority shareholders of Patriot Medical Technologies, Inc. ("Patriot"), to acquire the remaining shares outstanding during the period from March 3, 2003 to March 3, 2004 for a total of USD 234,000 (0.2 million euro). As of April 29, 2003, a portion of the put option had already been exercised, in the amount of USD 100,000 (0.1 million euro).

Commitment received

The minority shareholders of Patriot, have entered into a call agreement with the Group, which allows the Group, during the period from September 3, 2003 and September 3, 2005, to acquire the remaining outstanding shares of Patriot, if any, for the greater of USD 2 million and five times Patriot's EBITDA, less 1) the value of the put option already exercised as of the date of acquisition of the remaining shares, and 2) the service cost, as defined in the contract, of the related debt from the date of acquisition through the date of exercise of the call option.

### Note 23b) Commitments for stock options

The Group has the following stock option commitments:

- 2,625,047 shares with an average exercise price of USD 26.25, to certain employees of Sodexho, Inc., in connection with the Group's acquisition of 53% of Sodexho Marriott Services, Inc., in June 2001.
- 5,086,220 shares granted by Sodexho Alliance to certain of its employees in connection with various stock option plans and with an average exercise price of 33.56 euro.

### Note 24) - Litigation

McReynolds vs. Sodexho Marriott Services, Inc.

On March 8, 2001, ten current and former employees of Marriott Management Services, Inc., which later became Sodexho Marriott Services, Inc. and is now Sodexho, Inc., filed a lawsuit alleging that they and other African-American salaried employees were discriminated against on the basis of their race. The plaintiffs' complaint alleges unspecified damages on behalf of a class of over 2,600 current and former employees of Sodexho, Inc., relating to the period commencing March 27, 1998, as well as reimbursement of plaintiffs' costs and attorneys' fees. Sodexho has denied the plaintiffs' allegations and is vigorously defending the lawsuit. On June 25, 2002, the district court certified the case as a class action for purposes of determining liability. Sodexho, Inc. has appealed this decision. The appeal was denied on February 23, 2003. The parties to this litigation have commenced discovery. In fiscal 2002, a provision of 10 million dollars was recorded for defense costs anticipated in connection with this lawsuit. A resolution of plaintiffs' claims in their favor could have a material effect on our net income.

To our knowledge at this time, no other exceptional events or legal proceedings are pending or considered probable of occurring or having occurred, which would have a material impact on the financial position, the activities, the net worth or the net income of Sodexho Alliance or

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of the Group.

### V. Consolidation scope

The activities of the SODEXHO GROUP are carried out autonomously in different subsidiaries in each country where the Group has a presence. Under the control of the Executive Committee, each subsidiary has an independent organizational structure with its own Board, operating, human resources and financial and administrative management.

Companies managed by SODEXHO have been fully consolidated. Companies over which SODEXHO is able to exercise significant influence have been accounted for by the equity method.

All fully consolidated companies that do not have an August 31 year-end are consolidated on the basis of financial statements prepared as at August 31 and for the twelve months then ended (fiscal year-end of SODEXHO ALLIANCE).

A number of companies having minimal impact on the true and fair view of Group's consolidated financial statements have been excluded from consolidation, notably those having revenues of less than 2 million euro, net income or loss less than 0.1 million euro and total assets of less than 2 million euro.

The only companies which had a significant impact on consolidation during the first half of 2002-2003 were:

- the purchase of the Patriot Medical Technologies Inc. (in which Group holds 83.10% of the shares); and,
- the sale, during September 2002, of SRN and SECN (River and Harbor Cruises in Nantes, France).

### VI MANAGEMENT REVIEW

#### VI.1 Financial Performance for the first half 2002-2003 Results (in EUR millions)

|                  | Six months ended February 28, 2002 | Six months ended February 28, 2003 | % change excl. currency effect | Currency effect | % change |
|------------------|------------------------------------|------------------------------------|--------------------------------|-----------------|----------|
| Revenues         | 6,572                              | 6,168                              | +3%                            | -9%             | -6%      |
| EBITA            | 314                                | 294                                | +5%                            | -11%            | -6%      |
| Group net income | 128                                | 86                                 | -17%                           | -16%            | -33%     |

Excluding the currency effect:

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- Consolidated revenues totaled EUR 6.2 billion, with organic growth of 3%.
- EBITA amounted to EUR 294 million, a 5% increase over the prior comparable period.
- EBITA margin stood at 4.8%, essentially from a significant improvement in operating results in Continental Europe.
- Net financial expense increased by EUR 27 million, mainly due to foreign exchange gains realized in the first-half of 2001-2002, when cash held by the Service Vouchers and Cards business in Latin America was transferred into hard currencies
- The effective tax rate increased from 33% to 41%, as first-half 2001-2002 results included certain exceptional items which were not subject to income tax.
- Group net income after goodwill amortization amounted to EUR 86 million, a 17% decrease.

The euro's sharp appreciation against other currencies, notably the US dollar, led to a negative translation effect in the consolidated accounts which reduced reported revenues by 9%, EBITA by 11%, and Group net income by 16%.

However, unlike exporting companies, our subsidiaries' revenues and operating expenses are denominated in the same currency. Consequently, currency fluctuations do not create operating risks for Sodexho.

### VI.2 Sodexho in North America

Currently, 49% of Sodexho's revenues are generated in North America, where organic growth in revenues amounted to 3% in the first-half of 2002-2003. Since October 1, 2002, Sodexho Inc. has provided food services on 55 US Marine Corps sites in the United States. We have established a strong relationship of mutual respect and true partnership with the US Marine Corps, and they have recently assured us that they are satisfied with our performance and have no basis to cancel our contract.

With operations in all 50 states, Sodexho Inc. is solidly anchored in the United States, where it employs more than 110,000 Americans. Sodexho is proud to be a leader in the world's largest market, notably in the two client segments with the greatest growth potential: education and healthcare.

### VI.3 New Contracts

#### Food and Management Services

#### Business and Industry:

Hewlett Packard - United States, 200 sites - 90,000 people - food services  
Rich Products - United States, New York - 35,000 people - multi-services

HJ Heinz - United Kingdom, Wigan - 2,000 people - multi-services  
JP Morgan - United Kingdom, (2 sites), London - 2,216 people - multi-services

Alcatel - France, Velizy-Villacoublay - 1,700 people - food services  
TotalFinaElf - France, La Mede - 200 people - multi-services

Nuon - Netherlands (16 sites) - 7,000 people - food services  
Dutch Congress Center - Netherlands, The Hague - 2,000 people - food services  
IBM - Italy, Milan/Rome - 3,000 people - food services  
Johnson Controls - Sweden, Goteborg - 900 people - food services  
Grupo Santander - Spain, Madrid - 11,000 people - multi-services

Sony Corporation - Brazil, Sao Paulo - 565 people - food services

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Almacenes Exito - Colombia, Bogota - multi-services  
Nestle - Peru, Lima - 200 people - multi-services  
Banco Santander - Chile (115 sites), Santiago - multi-services  
Borders Group - Australia (3 sites) Knox, Brisbane and Carlton - multi-services

### Healthcare:

Ben Taub General Hospital - United States, Texas - 879 beds - food services  
Fairview Health Services - United States, Minneapolis - 2,613 beds - food services  
Medical Center Of Louisiana - United States, Louisiana - 680 beds - food services

Fundacion - Socio Sanitaria de Barcelona - Spain - 9 sites - multi-services

Centre Hospitalier Prive de L'Ouest Parisien - France - 470 beds - food services

Wesley Garden Aged Care Facilities - 6 sites - Australia, Sydney - 700 beds - multi-services

### Education:

Penn Harris Madison School Corp - United States, Indiana - 10,000 children - multi-services  
College Mount St. Vincent - United States, New York - 1,600 students - food services  
Concordia University - United States, Oregon - 1,100 students - food services  
Hayward School District - United States, California - 25,000 students - food services  
Clamart Municipal Schools - France, Clamart - 1,620 children - food services

### Remote Sites

BP - (4 sites) United States and United Kingdom - 880 people - multi-services

### Service Vouchers and Cards

Qualix SA Servicios Ambientais - Brazil - 8,000 beneficiaries - multi-services  
Pepsi - Hungary - 1,000 beneficiaries - multi-services

### VI.4 Fiscal 2002-2003 Outlook

As Pierre Bellon said during the Annual Meeting of Sodexho Alliance shareholders last February, "the economic environment will not improve in 2003, which makes our clients hesitant about investing and hiring."

We have therefore set the following intermediary objectives for fiscal 2002-2003:

- Organic growth in revenues of 4% or less, greater than the 1.9% in organic growth achieved in fiscal 2001-2002.
- EBITA margin of 4.7%, as compared to 4.2% in fiscal 2001-2002.
- Group net income of EUR 210 million, at constant exchange rates and excluding exceptional items.

In his remarks at the Annual Meeting, Pierre Bellon indicated that this would be difficult. We are continuing to use our best efforts to meet this net income objective, but according to our estimates, we are currently closer to a figure of EUR 200 million at constant exchange rates and excluding exceptional items.

At current exchange rates, the negative currency effect for fiscal

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2002-2003 will be approximately EUR 20 million.

We are confident in the future of our Group, which enjoys enormous growth potential both in Food and Management Services and in Service Vouchers and Cards. We also benefit from many advantages over our global competitors.

- Our values: service spirit, team spirit, the spirit of progress and conviviality.
- Our mission: improving the quality of daily life, which gives meaning to everything our employees do.
- A global network and operations in 74 countries.
- Low capital-intensive businesses that generate cash flow.
- An excellent business model where cash flow finances organic growth, reimburses borrowings and pays dividends.

### VII Statutory FINANCIAL STATEMENTS of Sodexho Alliance FOR SIX MONTHS ENDED February 28, 2003

Income statement key figures for the Holding Company for the first half of 2002-2003

|            | 6 months ended<br>February 28, 2003 | 6 months ended<br>February 28, 2002 |
|------------|-------------------------------------|-------------------------------------|
| Revenue    | 47                                  | 40                                  |
| EBIT       | 31                                  | 75                                  |
| Net income | 34                                  | 80                                  |

### VIII ACCOUNTANT'REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND THE HALF-YEARLY REPORT FOR THE SIX MONTHS ENDED FEBRUARY 28.2003

To the shareholders  
SODEXHO ALLIANCE  
3, avenue Newton  
78180 Montigny-le-Bretonneux

In our capacity as independent accountants and as required by section 232(7) of the Commercial Code,

- we have performed a limited review of the accompanying interim consolidated financial statements, presented in euro, for the period from September 1, 2002 to February 28, 2003;

- we have also reviewed the information provided in the interim report.

These interim consolidated financial statements are the responsibility of the Board of Directors. Our responsibility, based on our limited review, is to report our conclusions concerning these statements.

We conducted our limited review in accordance with the generally accepted standards in France. Those standards require that we perform limited procedures to obtain reasonable assurance, that the interim consolidated financial

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statements do not contain any material errors. A limited review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in France.

Based on our limited review, we are not aware of any material modifications that should be made to the interim consolidated financial statements, that were prepared in accordance with French accounting principles and regulations, in order to present a true and fair view of the consolidated results of operations for the six months ended February 28, 2003 and the consolidated financial position and assets of the company and its consolidated subsidiaries at that date.

We have also reviewed the information provided in the interim report, which accompanies the interim consolidated financial statements, that were the subject of our limited review, in accordance with the generally accepted standards in France. We have no comments as to its fair presentation and its conformity with the interim consolidated financial statements.

Paris. Paris La Defense, May 13, 2003

The Statutory Auditors

PricewaterhouseCoopers Audit

Gerard Dantheny

KPMG Audit

Departement de KPMG SA

Patrick Hubert Petit

### About Sodexho Alliance

Founded in Marseille in 1966 by Chairman and Chief Executive Officer Pierre Bellon, Sodexho Alliance is the world's leading provider of food and management services. With more than 315,000 employees on 24,700 sites in 74 countries, Sodexho Alliance reported consolidated sales of 12.6 billion euros for the fiscal year that ended on August 31, 2002. The Sodexho Alliance share has been listed since 1983 on the Euronext Paris Bourse, where its market value totals 3.2 billion euros. The Sodexho Alliance share has been listed since April 3, 2002, on the New York Stock Exchange.

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