SODEXHO ALLIANCE SA
Form 20-F
December 18, 2003

As filed with the Securities and Exchange Commission on December 18, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b)
OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: August 31, 2003
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from ____________ to _____________

Commission file number: 1-31274

SODEXHO ALLIANCE, SA
(Exact name of Registrant as specified in its charter)

Republic of France
(Jurisdiction of incorporation or organization)

3, avenue Newton
78180 Montigny - le - Bretonneux
France
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange On which registered
American Depositary Shares, Representing Common Shares	New York Stock Exchange
Common Shares, par value EUR 4 per share	New York Stock Exchange*

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each class of stock of Sodexho Alliance, SA at August 31, 2003 was:

Common Shares, par value EUR4 per share.................... 159,021,565

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark which financial statement item the registrant has elected to follow.

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As used in this Annual Report, the terms "we," "our," "us," "Sodexho," "Sodexho Alliance" and "the Group" refer to Sodexho Alliance, SA and its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements included in this Annual Report contain information that is forward-looking. Such statements include information regarding our beliefs, estimates and current expectations concerning our future financial condition and results of operations, including trends affecting our businesses. Prospective

investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. The information contained in this Annual Report including, without limitation, the information under the heading "Item 3.D Key Information--Risk Factors" identifies important factors that could cause such differences. It should be recognized that factors other than those expressly set forth in this Annual Report, such as general economic factors and business strategies, may be significant, and that the factors discussed herein may affect us to a greater extent than indicated. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. All forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements appearing in this Annual Report. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1...IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable.

ITEM 2...OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3...KEY INFORMATION

A. Selected Financial Data

Please see the section entitled "Item 5. Operating and Financial Review and Prospects" for a presentation of selected financial data.

Exchange Rates

Under the provisions of the Treaty on the European Union negotiated at Maastricht in 1991 and signed by the then 12 member states of the European Union in early 1992, a European Monetary Union, known as EMU, was implemented on January 1, 1999 and a single European currency, the euro, was introduced. The following 12 member states participate in EMU and have adopted the euro as their national currency: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain. The legal rate of conversion between French francs and the euro was fixed on December 31, 1998 at EUR 1.00 = FF6.55957. All translations of French francs into euro herein have been made at that rate.

The following tables set forth, for the periods and dates indicated, certain information concerning the exchange rate for the French franc and euro based on the 2 p.m. ECB time rates quoted by the European Central Bank. From January 1, 1999, the European Central Bank has provided 2 p.m. ECB time rates quoted for the euro only. No representation is made that franc or euro amounts have been, could have been or could be converted into dollars at the 2 p.m. ECB time buying rates indicated for any given date. Unless otherwise indicated herein, exchange rates have been translated throughout this Annual Report on Form 20-F at the end-of-period rate corresponding to the period for which the translation has been made.

	At end of period(1)	Average rate(2)	High	Low
Euro per U.S. dollar:				
1999....................	0.9458	0.9061	0.9878	0.8485
2000....................	1.1228	1.0263	1.1268	0.9201
2001....................	1.0919	1.1316	1.2118	1.0477
2002....................	1.0170	1.0978	1.1658	0.9856
2003....................	0.9152	0.9357	1.0364	0.8403

(1) All periods end August 31 of the stated year.
(2) The average of the rates on the last day of each month during the relevant period.

Month ended	High	Low
Euro per U.S. dollar:		
June 30, 2003....................	0.8762	0.8436
July 31, 2003....................	0.8978	0.8663
August 31, 2003..................	0.9246	0.8778
September 30, 2003...............	0.9274	0.8582
October 31, 2003.................	0.8636	0.8483
November 30, 2003................	0.8754	0.8338

On December 17, 2003, the 2 p.m. ECB time rate quoted by the European Central Bank was EUR 0.8106 = U.S. $1.0000, or U.S. $1.2337 = EUR 1.0000. This rate may differ from certain of the actual rates used in the preparation of our

consolidated financial statements, which are prepared in euro, and therefore dollar amounts appearing herein may differ slightly from the actual dollar amounts which were translated into euro in the preparation of such consolidated financial statements in accordance with accounting principles generally accepted in France.

A substantial proportion of our assets, liabilities, revenues and expenses are denominated in currencies other than euro, in particular, the U.S. dollar and the British pound sterling. Accordingly, fluctuations in the value of the euro relative to other currencies can have a significant effect on the translation into euro of non-euro assets, liabilities, revenues and expenses. For information with respect to the impact of fluctuations in exchange rates on our operations, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the offer and use of proceeds

Not Applicable.

D. Risk Factors

You should consider the following risks with respect to an investment in us and investments in our American Depositary Shares ("ADSs").

We depend on the retention and renewal of our existing client contracts and our ability to attract new customers

Our success depends on our ability to retain and renew existing client contracts and to obtain and successfully negotiate new client contracts. Our ability to do so generally depends on a variety of factors, including the quality, price and responsiveness of our services, as well as our ability to market these services effectively and differentiate ourselves from our competitors. Additionally, our growth in the Service Vouchers and Cards business depends upon our geographic expansion, new product development, superior branding and affiliate networks. We cannot assure you that we will be able to renew existing client contracts or that our current customers will not turn to competitors, cease operations, elect to self-operate or terminate contracts with us as a result of merger or acquisition. We also cannot be certain that we will obtain new contracts in any of our market segments, or that any new contracts will be profitable. If we cannot continue to grow our operations through the renewal of existing contracts or the negotiation of new contracts, our business, financial condition and results of operations will be materially and adversely affected.

We may be adversely affected if customers reduce their outsourcing or use of preferred vendors

Our business and growth strategies depend in large part on the continuation of a trend in business, education, healthcare and government markets toward outsourcing services. The decision to outsource depends upon customer perceptions that outsourcing may provide higher quality services at a lower overall cost and permit customers to focus on core business activities. We cannot be certain that this trend will continue or not be reversed or that customers that have outsourced functions will not decide to perform these functions themselves. In addition, labor unions representing employees of some of our current and prospective customers have occasionally opposed the outsourcing trend and sought to direct to union employees the performance of the types of services we offer. Management has also identified a trend among some of

our customers toward the retention of a limited number of preferred vendors to provide all or a large part of their required services. We cannot be certain that this trend will continue or not be reversed or, if it does continue, that we will be selected and retained as a preferred vendor to provide these services. Adverse developments with respect to either of these trends would have a material adverse effect on our business, results of operations and financial condition.

Our business may suffer if we are unable to hire, train and retain sufficient qualified personnel or if labor costs continue to increase

Certain trends in the global labor market, or in certain specific areas, could adversely impact our business. The global economy has experienced reduced levels of unemployment in recent years which have created a shortage of qualified workers at all levels. Given that our workforce requires large numbers of entry level, skilled and hourly workers, especially in the delivery of services other than food services to our clients, low levels of unemployment could compromise our ability in certain businesses to provide quality service or compete for new business. A failure to hire, train and retain qualified management personnel, particularly at the entry management level could also jeopardize our continued success. Furthermore, increases in wages or employee benefits whether regulatory or otherwise, could have an impact on profitability. Moreover, labor laws in certain countries require us to retain employees of businesses we acquire, which in turn may cause us to incur additional training costs and increase headcount beyond optimal levels. Adverse developments regarding the foregoing trends, individually or in the aggregate, could have a material adverse effect on our results of operations.

We may be adversely affected if claims by employees in connection with their employment are resolved against us

Due to the nature of our business and the large number of individuals we employ around the world, and the risk of employment-related litigation, the resolution of such claims against us could have a material adverse effect on our business.

Food shortages, and increases in food or other indirect operating costs could adversely affect our results of operations and financial condition

We face fluctuating food prices and limited availability of certain food items during the year. Food price and availability also varies by geographic location. In addition, broader trends in food consumption, such as the recent concern about beef consumption in Europe, may from time to time disrupt our business. Our typical contract allows for certain adjustments due to rising prices or changed menus over time, but often we must accept a reduced margin for a period of time to ensure the availability of certain required food groups and to maintain customer satisfaction. Our experience has been that changes in food preferences or shortages, when they occur, may adversely affect our profitability at a given location. Although most of our contracts provide for minimum annual price increases for products and services provided by us, we could be adversely impacted during inflationary periods if the rates of contractual increases are lower than the relevant inflation rate.

Our profitability could be adversely affected if we were faced with other indirect cost increases, especially to the extent we were unable to recover such increased indirect costs through increases in our prices for our products and services. For example, in recent years there has been, in general, a rise in

insurance and related premiums. To the extent that food or other operating costs increase, and to the extent we are unable to pass these costs on to our clients for competitive or economic reasons, our profit margins will decrease.

The pricing terms of our services contracts may constrain our ability to recover costs and to make a profit on our contracts

Fixed price contracts with our customers could expose us to losses if our estimates of project costs are too low. A substantial portion of our services contracts are fixed price contracts. The terms of these contracts require us to guarantee the price of the services we provide and assume the risk that our costs to perform the services and provide the materials will be greater than anticipated. Our profitability on these contracts is therefore dependent on our ability to accurately predict the costs associated with our services. These costs may be affected by a variety of factors, some of which may be beyond our control. If we are unable to accurately predict the costs of fixed price contracts, certain projects could have lower margins than anticipated, which could have a material adverse effect on our business.

Competition in our industry could adversely affect our results of operations

There is significant competition in the food and support services business from local, regional, national and international companies of varying sizes, a number of which have substantial financial resources. Our ability to successfully compete depends on our ability to satisfy our clients by providing quality services at a reasonable price. Certain of our competitors may be willing to underbid us or accept a lower profit margin or expend more capital in order to obtain or retain business. Existing or potential clients may also elect to self-operate their food service, or to utilize other purchasing arrangements, thereby reducing or eliminating the opportunity for us to serve them or compete for the account.

Moreover, because our business is highly decentralized, it is imperative that we keep pace with advances in technology and information services, especially with respect to inventory, labor and cost management and the communication of our best practices among our operations worldwide. If we do not or cannot make necessary expenditures in these areas, we may be less competitive and, consequently, less profitable.

Unfavorable economic conditions could adversely affect our results of operations and financial condition

Economic conditions in the United States and worldwide have resulted in lower demand for our services from non-government sector business clients, particularly private corporate clients in our Food and Management Services business, with a negative impact on our revenues. Economic conditions may also exert budgetary pressures on public sector clients. Further economic downturns may reduce demand for our services as well as decrease occupancy rates in certain segments of the facilities which we manage. These factors may cause us to lose business, lose economies of scale, or contract for business on less favorable terms than our current prevailing terms. Additionally, our Remote Sites activity is heavily dependent on the oil industry, and therefore can be cyclical and dependent upon oil prices.

Our semi-annual results may vary significantly as a result of factors beyond our control

Our semi-annual results of operations may fluctuate significantly as a result of a number of factors over which we have no control, including our customers' budgetary constraints, school vacations, the timing and duration of our customers' planned maintenance activities and shutdowns, changes in our competitors' pricing policies and general economic conditions. Furthermore, some operating and fixed costs which remain relatively constant throughout the fiscal year may lead to fluctuations in semi-annual results when offset by differing levels of revenues. For these reasons, a half-year to half-year comparison is not a good indication of our current performance or how we will perform in the future.

We are subject to governmental regulation

Due to the nature of our industry and our listings on the French and the New York stock exchanges, our operations are subject to a variety of international, federal, state, county and municipal laws, regulations and licensing requirements, including regulations governing such areas as labor, employment, immigration, health and safety, consumer protection and the environment. The costs of compliance with these various regulatory regimes has a significant impact on our bottom line, and violations of certain regulations could result in the loss of a client contract or fines. There can be no assurance that additional regulation in any of the jurisdictions in which we operate would not limit our activities in the future or significantly increase the cost of regulatory compliance.

In addition, the growth and success of our Service Vouchers and Cards business depends to an extent upon the continued availability of domestic tax and labor law incentives encouraging the use of service vouchers by employers and employees. A reduction or elimination of these benefits in our more significant markets, or across many of our markets, could have an adverse result on our business and results of operations.

Claims of illness or injury associated with the service of food and beverages to the public could adversely affect us

Claims of illness or injury relating to food quality or food handling are common in the food service industry, and a number of these claims may exist at any given time. As a result, we could be adversely affected by negative publicity resulting from food quality or handling claims at one or more of the facilities which we serve. In addition to decreasing our revenues and profitability at our facilities, adverse publicity could negatively impact our service reputation, hindering our ability to renew contracts on favorable terms or to obtain new business.

Our international business results are influenced by currency fluctuations and other factors that may be different from factors affecting the United States market

A significant portion of our revenues is derived from international markets. During fiscal 2003, approximately 72% and 65% of our revenues and EBITA, respectively, were generated outside the euro zone. The operating results of our international subsidiaries are translated into euro and such results are affected by movements in foreign currencies relative to the euro, especially movements in the value of the U.S. dollar.

Our business is also subject to risks whose effects may be more pronounced in our international operations, including national and local regulatory requirements; potential difficulties in staffing and labor disputes; failures to obtain and manage support and distribution for local operations; significant

natural disasters such as electrical black-outs, floods or droughts; fluctuations in local interest rates; inflation; credit risk or poor financial condition of local customers; the potential imposition of restrictions on investments; potentially adverse tax consequences, including imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries; foreign exchange restrictions; and geo-political or social conditions in certain sectors of our international markets. There can be no assurance that the foregoing factors will not have a material adverse effect on our international operations or on our consolidated financial condition and results of operations.

Moreover, we expect that revenues from such emerging markets as Latin America, Central Europe and Asia will continue to develop over the long term. Emerging market operations present several risks, including volatility in gross domestic production; credit risk; civil disturbances; economic and governmental instability; changes in regulatory requirements; nationalization and expropriation of private assets; significant fluctuations in interest rates, currency exchange rates and inflation; the imposition of additional taxes or other payments by foreign governments or agencies; and exchange controls and other adverse actions or restrictions imposed by foreign governments.

We are subject to risks associated with our acquisitions of other businesses

We have acquired and may in the future acquire a substantial number of businesses. Our acquisitions may not improve our financial performance in the short or long term as we expect. Acquisitions enhance our earnings only if we can successfully integrate the acquired businesses into our management organization, purchasing operations, distribution network and information systems. Our ability to integrate acquired businesses may be adversely affected by factors that include customer resistance to our product brands and distribution system, our failure to retain management and sales personnel, difficulties in converting different information systems to our systems, the size of the acquired business and the allocation of limited management resources among various integration efforts. In addition, the benefits of synergy which we expect at the time we select our acquisition candidates may not be as significant as we originally anticipated. One or more of our acquisition candidates may also have liabilities or adverse operating issues that we fail to discover prior to the acquisition. Difficulties in integrating acquired businesses, as well as liabilities or adverse operating issues relating to acquired businesses, could have a material adverse effect on our business, operating results and financial condition.

Even if acquired companies eventually contribute to an increase in our profitability, the acquisitions may adversely affect our earnings in the short term. Our earnings may decrease as a result of transaction-related expenses we record for the quarter in which we complete an acquisition. Our earnings may be further reduced by the higher operating and administrative expenses we typically incur in the quarters immediately following an acquisition as we seek to integrate the acquired business into our operations.

We currently have significant indebtedness and may incur additional indebtedness in the future

At August 31, 2003, our percentage of total debt to total capitalization was approximately 52%. Our total capitalization is the sum of our shareholders' equity, minority interests and borrowings and long-term debt. Some lenders may consider this ratio negatively in their credit decisions. Also, financial and other covenants in our lending agreements may occasionally restrict our ability to operate our business in certain ways. Specifically, our agreements limit our ability to dispose of our assets, our subsidiaries' abilities to guarantee and borrow money, our ability to incur certain types of debt, our ability to merge

or consolidate with other companies (subject to certain exceptions) and our ability to alter the fundamental nature of our business (subject to certain exceptions). In addition, we are obligated under these agreements to maintain certain ratios of net debt to EBITDA and interest to EBITA which may also impair our ability to enter into certain types of transactions.

We may incur additional indebtedness in the future, subject to limitations contained in the instruments governing our indebtedness, to finance capital expenditures or for other general corporate purposes, including acquisitions. We cannot assure you that our business will continue to generate cash flow at or above the levels required to service our indebtedness and meet our other cash needs, or that we will be able to obtain credit on terms as favorable as those we enjoy currently if our debt to total capitalization ratio increases. If our business fails to generate sufficient operating cash flow in the future, or if we fail to obtain cash from other sources such as asset sales or additional financings, we will be restricted in our ability to continue to make acquisitions for cash and to invest in expansion or replacement of our facilities, information systems and equipment. Such a failure could have a material adverse effect on our business, operating results and financial condition.

Risks Related to an Investment in our American Depositary Shares ("ADSs")

The price of our ADSs and the U.S. dollar value of any dividends will be affected by fluctuations in the U.S. dollar/euro exchange rate

The ADSs trade in U.S. dollars. Fluctuations in the exchange rate between the euro and the U.S. dollar are likely to affect the market price of the ADSs. For example, because our financial statements are reported in euro, a decline in the value of the euro against the U.S. dollar would reduce our earnings as reported in U.S. dollars. This could adversely affect the price at which the ADSs trade on the U.S. securities markets. Any dividend we might pay in the future would be denominated in euro. A decline in the value of the euro against the U.S. dollar would reduce the U.S. dollar equivalent of any such dividend.

You may not be able to exercise preemptive rights for shares underlying your ADSs

Under French law, shareholders have preemptive rights ("droits preferentiels de souscription") to subscribe for cash for issuances of new shares or other securities giving rights, directly or indirectly, to acquire additional shares on a pro rata basis. Shareholders may waive their preemptive rights specifically in respect of any offering, either individually or collectively, at an extraordinary general meeting. Preemptive rights, if not previously waived, are transferable during the subscription period relating to a particular offering of shares and may be quoted on the exchange for such securities in Paris. United States holders of ADSs may not be able to exercise preemptive rights for the shares underlying their ADSs unless a registration statement under the United States Securities Act of 1933, as amended, is effective with respect to such rights or an exemption from the registration requirements thereunder is available. We intend to evaluate at the time of any rights offering the costs and potential liabilities associated with any such registration statement, as well as the indirect benefits of enabling the exercise by the holders of ADSs of the preemptive rights associated with the shares underlying their ADS, and any other factors we consider appropriate at the time, and then to make a decision as to whether to file such a registration statement. We cannot guarantee that any registration statement would be filed, or, if filed, that it would be declared effective. If preemptive rights cannot be exercised by an ADS holder, The Bank of New York, as depositary, will, if possible, sell such holder's preemptive rights and distribute the net proceeds

of the sale to the holder. If the depositary determines, in its discretion, that such rights cannot be sold, the depositary may allow such rights to lapse. In either case, ADS holders' interest in us will be diluted, and, if the depositary allows rights to lapse, holders of ADSs will not realize any value from the granting of preemptive rights.

Holders of ADSs may be subject to additional risks related to holding ADSs rather than shares

Because holders of ADSs do not hold their shares directly, they will be subject to certain additional risks, including those listed below.

In the event of a dividend or other distribution, if exchange rates fluctuate during any period of time when the depositary cannot convert euro into U.S. dollars, the ADS holder may lose some or all of the value of the distribution. There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, or that any of such transactions can be completed within a specified time period.

ADS holders will generally have the right to instruct the depositary to exercise the voting rights for the shares represented by the ADSs if we ask the depositary to ask the holders for instructions. There can be no guarantee, however, that ADS holders will receive voting materials in time to instruct the depositary to vote. It is possible that ADS holders, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote at all.

ADS holders may not receive copies of all reports from us or the depositary; these holders may have to go to the depositary's offices to inspect any reports issued.

You may not be able to effect claims or enforce judgments brought against us for alleged violations of the U.S. securities laws

We are a societe anonyme organized under the laws of France. Almost all of our directors and officers are not U.S. residents, and a substantial portion of our assets and the assets of our directors and officers are and will be located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon us or most of these persons or to enforce judgments against us or them in United States courts. Furthermore, there is doubt as to the enforceability in France, in original actions or in actions for the enforcement of judgments of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States. French courts may not have the requisite jurisdiction to grant the remedies sought in an original action brought in France based solely upon the U.S. federal securities laws.

In order to effectively enforce in France judgments of U.S. courts rendered against our French officers and directors, these persons would have to waive their rights under Article 15 of the French Civil Code, which provides that citizens of France may be sued only in France unless they otherwise consent. We believe that none of these persons has waived this right with respect to actions predicated solely upon U.S. federal securities laws. Furthermore, actions in the United States could be adversely affected under certain circumstances by the French law of July 26, 1968, as modified by a law of July 16, 1980, which may preclude or restrict the obtaining of evidence in France or from French persons in connection with such actions.

ITEM 4...INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a leading global provider of services in two primary business areas: Food and Management Services and Service Vouchers and Cards. In prior years, we reported our remote sites and river and harbor cruises activities separately. However, after a reallocation of management responsibilities for these activities, they are now included in the applicable regions within the Food and Management Services business, which is segmented into four geographic regions. Accordingly, Food and Management Services in North America, the United Kingdom and Ireland, and Continental Europe now include river and harbor cruise activities in each of those regions. Likewise, Food and Management Services in the Rest of the World now includes all remote site activities.

In the Food and Management Services business, which accounted for approximately 98% of our total revenues in fiscal 2003, we are a leading global provider of outsourced food and multiservices to businesses, public agencies and institutions, long-term and short-term healthcare facilities, universities and primary and secondary schools. Within our Food and Management Services business, we also provide many of the foregoing services to temporary and remote sites of our clients' operations, specifically those affiliated with oil and gas recovery, major construction projects and mining. We formerly accounted for and disclosed our remote sites activity as a separate business segment. Our river and harbor cruises activity, also formerly a separately disclosed business segment,operates in various markets and provides tourist excursions and upscale dinner cruises for individuals and corporate consumers alike. In the fiscal year ended August 31, 2003, we had revenues of approximately EUR 11.4 billion from our Food and Management Services business, operating through approximately 23,900 individual outlets in more than 70 countries. Revenues for the former remote sites and river and harbor cruises business, which are now included in Food and Management Services, totaled EUR 543 million and EUR 87 million, respectively for the fiscal year. Food services include food and beverage procurement and preparation, as well as the operation and maintenance of food service and catering facilities, generally on a client's premises. Multiservices include physical plant operations and maintenance, energy management, groundskeeping, housekeeping, custodial and janitorial, on-site laundry and an evolving suite of other services for which our clients have identified a need. Our Service Vouchers and Cards business, which had revenues of EUR 248 million in fiscal 2003, primarily issues and manages the provision of paper and debit-card vouchers to our clients' employees for food, products and services and the provision of various welfare benefits from government clients to their constituents.

Our chairman, Pierre Bellon, launched the company in 1966 in Marseille, France, by providing food service to employee restaurants. Since our founding, we have been focused on growth, especially organic growth. By 1968, we began operating in the Paris area, and we expanded our operations internationally in 1971 with a food services contract in Belgium. We were incorporated on December 31, 1974 as Sodexho, SA (societe anonyme), a French limited liability company, for a duration of 99 years from this date, the maximum allowed under French law. Between 1971 and 1993, we continued our international growth with the development of our Remote Sites business in Africa and the Middle East, the extension of our Service Vouchers and Cards business into Belgium and Germany, and the expansion of our food services business into other parts of Europe and Asia and overseas into North America, Latin America and South Africa.

Since 1995, we have rapidly expanded our worldwide presence through organic growth and acquisitions. Our acquisition of Gardner Merchant in 1995 made us the

world's largest contract food services company, based on annual revenues, gave us a significant presence in the United Kingdom and the Netherlands and strengthened our operations in North America. In January 1996, we acquired a minority interest in Partena, strengthening our position in the Nordic countries, a position which we further solidified by increasing our holding to more than 90% of Partena's outstanding capital stock in 1999.

In Latin America, the acquisitions of Cardapio in Brazil in 1996, a stake in Luncheon Tickets in Argentina in 1998 and Refeicheque in Brazil in 1999 increased our share of the worldwide service vouchers and cards market. Globally, our annual revenues in this activity are second only to Accor.

In March 1997, we acquired 49% of Universal Services in the United States, and in January 2000 we acquired the remaining stake, forming Universal Sodexho, the world market leader in Remote Sites operations.

In 1998, our North American subsidiaries and Marriott Management Services combined, with Sodexho Alliance holding just under half of the resulting company's share capital. In connection with this transaction, Sodexho Alliance contributed an additional U.S. $304 million. The transaction created the largest North American food and management services company based on annual revenues, known as Sodexho Marriott Services, Inc., and almost doubled the size of our operations by adding annual revenues of $3.2 billion (based on 1997 stand-alone revenues) and over 3,000 clients in North America.

In June 2001, we completed a transaction by which we acquired the remaining interest in Sodexho Marriott Services, Inc. ("SMS", now known as Sodexho, Inc.) for approximately EUR 1.3 billion. In the fourth quarter of fiscal 2001, we acquired 100% of the capital stock of the Wood Company ("Wood Dining Services"), a company doing business as Wood Dining Services, and 60% of the capital stock of Sogeres. We exercised our option to purchase the additional 40% of the capital stock of Sogeres in November 2001. The total cost for all of the capital stock of both companies was EUR 521 million, a portion of which was paid in the fourth quarter of fiscal 2001 and the balance of which was paid at the time the remaining shares of Sogeres were acquired in the first quarter of fiscal 2002. Prior to the acquisition, Sogeres had been our fourth-largest competitor, based on revenues, in the French outsourced catering market, operating primarily in Paris, the French Riviera and the Rhone-Alps region. The acquisition of Wood Dining Services brought a significant regional food service provider into our network, adding over 500 clients and the management of over 10,000 employees across 21 states in the United States.

Since 1983, our shares have been listed on Euronext Paris (formerly the Paris Bourse), since 1998 we have been part of the benchmark index for that exchange, the CAC 40 and on April 3, 2002, our ADSs were listed on the New York Stock Exchange. In February 1997, our shareholders voted to change our name to Sodexho Alliance, SA, and we were duly re-incorporated as such on February 25, 1997. We are subject to Book II of the French Code du Commerce and to Act No. 67-236 of March 23, 1967 concerning "les societes commerciales et des groupements d'interet economique" (French company law). Except as mentioned above, we and our subsidiaries have not been a party to any material reclassifications, mergers or consolidations and there have been no material changes in our mode of conducting business or in the types of products produced or services we offer. As of the date of this Annual Report on Form 20-F, there has been no indication of any public takeover offer by any third party respecting our shares or by us respecting another company's shares, except as described above.

We are headquartered in Paris, France and our registered office in France is 3, avenue Newton, 78180 Montigny-le-Bretonneux. Our general telephone number is 011-33-1-30-85-75-00. Our authorized U.S. representative is Michel Landel, and our agent for service of process in the U.S. is Robert A. Stern, Sodexho, Inc.,

9801 Washingtonian Boulevard, Suite 1234, Gaithersburg, MD 20878.

Acquisition and Capital Expenditures

The following table sets forth our acquisition and capital expenditures (on a consolidated basis) for fiscal 2001, 2002 and 2003.

	Fiscal year ended August 31,		
	2003	2002	2001
	(millions of euro)		
Property, plant and equipment and intangibles	239	297	233
Acquisitions	37	107	1,768
Total	276	404	2,001

We estimate that our consolidated capital expenditures for fiscal 2004 will be approximately 2% of our revenues. This estimate is set yearly and is based on commercial, technical and economic factors such as client demand and the availability of equipment and building space. Capital expenditure estimates remain subject to the finalization of services and other client contractual terms relating to these expenditures.

Property, Plant and Equipment

Approximately two-thirds of our property, plant and equipment capital expenditures involve the purchase of catering equipment used on client premises and certain boats used in our river and harbor cruises activity. The remaining portion of our capital expenditures relates to internal items such as information technology and vehicles used to support our operations. We generally use our clients' premises for food services, and therefore our property, plant and equipment capital expenditures are limited. We do, however, use trucks owned or leased by us to deliver food to the premises of our clients in certain markets.

Acquisitions and Divestitures

Our material acquisition expenditures and divestitures since August 31, 2000 are highlighted below.

In May 2002, we divested our entire interest in Lockhart Catering Equipment Ltd for EUR 61 million in cash. Based in the United Kingdom, this subsidiary was primarily engaged in the distribution of catering equipment, a non-core activity for the Group.

In November 2001, we acquired 100% of the capital stock of Minesite Catering Pty Ltd in Australia for EUR 10 million in cash.

In June and July 2001, we acquired 100% of the capital stock of Wood Dining Services, a North American food and management services company, and 60% of the capital stock of Sogeres, a French food and management services company. The

total cost for all the capital stock of both companies was EUR 521 million. In November 2001, we acquired the remaining 40% of the shares of Sogeres which we did not own from BNP Paribas for cash consideration of EUR 72 million. Sogeres' contribution to Group net income for fiscal 2002 totaled EUR 4.9 million. In June 2001, after a negotiation process with a special committee of independent directors formed by SMS's Board of Directors, we successfully completed a tender offer for the 53% of SMS we did not already own, as calculated on a fully-diluted basis, at a total cost of approximately EUR 1.3 billion. Following its merger into SMS Acquisition Corp., SMS became a wholly-owned subsidiary of Sodexho Alliance, and was renamed Sodexho, Inc. Funding for the June and July 2001 transactions was provided through a rights offering in the amount of EUR 1.0 billion and the incurrence of an additional EUR 0.8 billion in debt.

In May 2001, we sold our entire holding in Corrections Corporation of America ("CCA"), which resulted in an exceptional loss of EUR 3 million, net of tax benefits. Pursuant to the terms of the purchase and sale agreement, the buyer of the shares paid us an additional amount totaling EUR 28.6 million upon resale of some of the shares in May 2003.

Ongoing capital expenditures for property, plant and equipment are expected to be funded from operating cash flows. Acquisition expenditures may be financed through a combination of subsidiary operating cash flows, investment cash flows, borrowings from financial institutions and other sources, including debt and equity issuances.

Since 1996, we have made three bond issuances, two equity offerings and two syndicated bank borrowings to aid in financing our acquisition expenditures. In 1996, we issued 400,000 bonds for a total of EUR 305 million, each of which bears an annual interest rate of 6% and matures in 2004. Each of these bonds carries a warrant entitling the bearer to purchase 16.66 of our shares on or before the maturity date for EUR 411.61, which may result in further capital issuances of up to EUR 154 million by 2004. In 1997, we raised EUR 306 million by issuing 835,770 new shares for cash. In March 1998, Sodexho, Inc. (formerly SMS) raised U.S. $1.3 billion (approximately EUR 1.2 billion, based on the August 31, 1998 U.S. dollar-to-French franc exchange rate then converted into euro at the fixed rate of 6.55957 French francs per euro), of which EUR 580 million was guaranteed by us. Outstanding balances on these facilities were refinanced in the third quarter of fiscal 2001 (see further discussion below). In 1999, we issued a total of EUR 300 million in bonds which bear an annual interest rate of 4.625% and mature in 2009. In July 2001, we raised additional capital of EUR 1.0 billion by issuing 22,498,729 new shares for cash.

In the fourth quarter of 2001, in connection with the acquisitions of Sodexho, Inc., Sogeres and Wood Dining Services and to refinance Sodexho, Inc.'s existing debt, we entered into a credit agreement for total amounts of EUR 1.9 billion and U.S. $1.1 billion, divided among four facilities. The first and second facilities, in the amount of EUR 1.9 billion, financed the acquisitions. On July 5, 2001, EUR 0.9 billion of these facilities were repaid out of the proceeds of our July 2001 share issuance. The balance was repaid with the proceeds of the debt securities issued in March 2002, as described below. The third and fourth facilities, in the amount of U.S. $1.1 billion, were used to refinance Sodexho, Inc.'s existing debt and are repayable in quarterly installments with a final maturity date of April 5, 2006. Our interest margin for these facilities is 0.55% over LIBOR or EURIBOR, as appropriate, adjusted over time to reflect fluctuations in our credit rating (these margins may range from 0.45% to 1.50%). The facilities are subject to customary terms, financial covenants and events of default. The Group has entered into various agreements to convert variable interest rates to fixed rates.

In addition, on March 6, 2002, we finalized the terms of an issuance of EUR 1 billion of debt securities in the European markets, which closed on March 25, 2002. We used the net proceeds from the sale of these debt securities, approximately EUR 1 billion, to refinance the credit facility referred to above. The debt is issued in 5.875% notes due March 25, 2009.

B. Business Overview

General

Our operations can be divided into two broad businesses: Food and Management Services, which now includes the remote sites and river and harbor cruises activities, and Service Vouchers and Cards. Food and Management Services is our most significant business and accounted for 98% of our revenues for the fiscal year ended August 31, 2003. Approximately half of our revenues in this business were generated from our North American subsidiary, Sodexho, Inc. (formerly SMS). Remote sites and river and harbor cruises accounted for 5% and less than 1%, respectively, of our revenues in fiscal 2003. The Service Vouchers and Cards business accounted for 2% of our revenues in fiscal 2003. Within the Food and Management Services business, we separate our operations into four geographic regions: North America, Continental Europe, the United Kingdom and Ireland, and the rest of the world.

The tables set forth below summarize certain financial information for these activities for the fiscal years ended August 31, 2003, 2002 and 2001.

	2003 Current presen-tation	2003 Prior presen-tation	2002(6) Current presen-tation	2002(6) Prior presen-tation	2001(6) Current presen-tation	2001(6) Prior presen-tation
Revenues by Activity (1)			(in millions of euro)			
Food and Management Services						
North America (1)......	5,427	5,387	6,039	5,995	5,719	5,657
Continental Europe (1)(3).........	3,585	3,501	3,491	3,413	3,099	3,034
United Kingdom and Ireland (1).......	1,453	1,444	1,681	1,671	1,727	1,717
Rest of the World (2)(3)..........	974	477	1,119	566	1,134	581
Total Food and Management Services....	11,439	10,809	12,330	11,645	11,679	10,989
Remote Sites (2)						
North America..........	0	163	0	195	0	180
Continental Europe.....	0	51	0	51	0	52
United Kingdom and Ireland...........	0	83	0	81	0	74

Rest of the World......	0	246	0	263	0	273
Total Remote Sites......	0	543	0	590	0	579
Service Vouchers and Cards						
Continental Europe.....	128	128	124	124	105	105
United Kingdom and Ireland...........	12	12	10	10	4	4
Rest of the World......	108	108	145	145	140	140
Total Services Vouchers and Cards.....	248	248	279	279	249	249
River and Harbor Cruises (1)						
North America..........	0	40	0	44	0	62
Continental Europe.....	0	38	0	41	0	39
United Kingdom and Ireland...........	0	9	0	10	0	10
Total River and Harbor Cruises.........	0	87	0	95	0	111
Total revenues..........	11,687	11,687	12,609	12,609	11,928	11,928

EBITA by Activity(4)

(in millions of euro)

Food and Management Services						
North America(1).......	268	270	293	297	294	295
Continental Europe(1) (3).........	167	158	150	140	139	129
United Kingdom and Ireland(1)........	21	22	9	11	87	87
Rest of the World(2) (3)..........	18	6	31	7	28	0
Total Food and Management Services....	474	456	483	455	548	511
Remote Sites(2).........	0	22	0	26	0	30
Service Vouchers and Cards..............	68	68	77	77	61	61
River and Harbor Cruises(1).............	0	7	0	2	0	7
EBITA, excluding corporate expenses.....	542	553	560	560	609	609
Corporate expenses(5)...	(28)	(39)	(35)	(35)	(38)	(38)

Total	514	514	525	525	571	571

(1) Effective for fiscal 2003, ourFood and Management Services activities in North America, Continental Europe, and United Kingdom and Ireland include the river and harbor cruises activities in each of those regions. The river and harbor cruises activity was formerly reported separately. Prior periods have been restated to reflect the current presentation.

(2) Effective for fiscal 2003, Food and Management Services - Rest of the World includes the formerly separate remote sites activity. Prior periods have been restated to reflect the current presentation.

(3) The French overseas territories, with revenues totaling EUR 46 million, EUR 38 million, and EUR 26 million, for fiscal 2003, 2002 and 2001, respectively, are now included in Continental Europe. Prior periods have been restated to reflect the current presentation.

(4) EBITA represents net income before interest expense, exceptional items, income taxes, income from equity method investees, goodwill amortization and minority interests. EBITA is a line item from our French GAAP financial statements, similar to operating income.

(5) Refers to corporate holding company level overhead expenses. Effective for the fiscal 2003 presentation, certain of these expenses have been allocated to the activities.

(6) Certain amounts for the years ended August 31, 2002 and 2001 differ from the corresponding amounts for the same periods reported in the Company's Document de Reference filed with the Commission des Operations en Bourse. See note 1 to the Consolidated Financial Statements for further information.

Strategy

Since our founding in 1966, our ambition has been to satisfy the expectations of clients, employees and shareholders alike. Accordingly, we have focused on a growth strategy to meet and match each of these expectations. Further, our vision is to improve the quality of daily life. In pursuing this vision, we have focused on the following key priorities:

Accelerate organic growth. Organic growth represents our preferred and most profitable growth alternative as the outsourced food and management services market in which we operate continues to expand rapidly. This expansion stems from the worldwide trend towards outsourcing of non-core functions, including food and management services, as enterprises increasingly make strategic

decisions to focus on their core businesses and seek cost efficiencies. We seek to be in close proximity to our clients, thereby allowing us to anticipate and satisfy their needs promptly with service solutions tailored to their specific situation.

We expect to find opportunities for organic growth by

- segmenting and sub-segmenting our client base,
- expanding our food services offering beyond traditional food service sales points into vending, trolley and take-out sales points, directors' tables and executive dining, branded concepts, merchandising and other programs,
- expanding our offering beyond food services to "multiservice" solutions such as building management and maintenance, business support services and ancillary services to individuals,
- continuing our expansion into the public sector, and
- strengthening our large multinational account capabilities as we build our organization throughout the world.

To supplement organic growth, we may also from time to time, across our business segments, acquire and integrate low-capital intensive, cash-generative businesses.

Improve operational management. We are able to provide and continue to develop more cost-effective services than local, regional and national participants as a result of our economies of scale, our broader range of services and our national and international coverage of large clients. These factors help us at all levels in the management of our purchasing and delivery logistics.

By leveraging our size across many markets we also

- increase the exchange and transfer within our organization of "best practices" pertaining to inventory and personnel management and quality control and delivery techniques, as well as leverage experience gained across the various client segments and markets throughout our operations,
- leverage our experience and brand through cross-segment teamwork between our Food and Management Services and our Service Vouchers and Cards businesses,
- are able to better coordinate labor scheduling practices and share training costs across markets, and
- streamline the use of ingredients we use and coordinate menu planning across closely-situated sites.

Improve our human resource planning. We are strongly committed to the development and promotion of our staff and invest in our human capital. The human resources department has prepared plans and programs to detect, prepare, train and globalize tomorrow's executive teams. It is supported in this role by the Sodexho Management Institute, our internal management training program, which currently has capacity for 500 executives a year.

Diversity is a business imperative and responsibility grounded in our values of service, progress and teamwork. By valuing and managing workforce and supplier diversity, we endeavor to leverage the skills and abilities of all employees and suppliers in order to increase employee, client and customer satisfaction.

Improve cash flow. We seek to minimize working capital requirements and maximize free cash flow. To this end, we implement measures to control internal capital spending, set targets for lower client credit, manage inventories and link bonuses for executives and management teams to the achievement of clearly stated targets at all levels of our organization.

Reinforce control. Reporting on controls and risk management to the Audit Committee of our Board of Directors, Group management continues to reinforce our internal controls, including the intensity and frequency of internal audits. We are in the process of reinforcing our central audit function, which reports to our Chairman and Chief Executive Officer. Our internal procedures, delegation and contract review policies are regularly evaluated and updated. A summary of risks and financial commitments is presented regularly to the Audit Committee.

In October 2002, a disclosure committee was formed to evaluate our disclosure controls and to review annual and semi-annual reports, financial press releases, our Annual Report on Form 20-F, and other information presented to shareholders. As a consequence, existing disclosure procedures and controls are evaluated and updated regularly as appropriate.

Encourage transparency and communication. We have made, and will continue to make, significant investments in our information technology systems because we believe that menu planning and the accurate measurement and reporting of client and consumer activity, as well as inventory, labor and performance reporting, are central to our continued success. We are developing a global intranet aimed at facilitating the exchange of best practices, ideas and procedures throughout the entire network of our operations. Through our technology infrastructure, we intend to continue to provide our unit managers with tools that help them manage operations efficiently, thereby enhancing the value for our clients of the services we provide.

Food and Management Services

Overview

We are a global food and management services contractor. In the fiscal year ended August 31, 2003, our revenues in this activity were approximately EUR 11.4 billion. In fiscal 2003, we operated through approximately 23,900 individual outlets in more than 70 countries. None of our clients is responsible for more than 2% of our total revenues.

To serve our clients and increase revenues, we pursue a market segmentation strategy based on client needs. The industry markets in which we operate are Business and Industry (which includes both corporate clients and government entities), Healthcare and Education. Within each of these three industry markets, we have identified sub-segments which permit us to target and address client requirements promptly and efficiently. Effective for fiscal 2003, the remote sites and river and harbor Cruises markets are also included in the Food and Management Services business.

Business and Industry. The Business and Industry market accounted for EUR 4.7 billion of our Food and Management Services business revenues in fiscal 2003, delivered at over 12,000 sites, representing 41% of our total Food and Management Services business revenues. Traditionally, this market has been comprised of corporate customers, whom we provide with food services as well as vending, reception, mailroom, cleaning and facilities maintenance. Over the last 35 years, we have expanded the range and depth of our services and clients to include

- providing food and management services to government agencies and other public clients, such as the defense sectors in the United States, the United Kingdom and Australia;
- providing food service at prestige occasions, which include some of the world's most prominent tourist, sports and recreational events like the Royal Ascot horse races, the British Open Golf Tournament, the Tour de France, the Davis Cup in France, the Paris-Bercy and Roland-Garros Tennis Tournaments and the 2000 Summer Olympic Games in Sydney, Australia;
- providing a full range of executive dining services and the management of conference centers and private clubs for our corporate clients; and
- providing food service and custodial services, maintenance, transportation, professional training, and rehabilitation services to correctional facilities in many locations outside of North America.

Healthcare. For fiscal 2003, revenues in the Healthcare market totaled EUR 2.2 billion at nearly 3,500 sites, representing 19% of our total Food and Management Services business revenues. In this market, we provide catering services, vending, meal delivery, patient transport, room upkeep, cleaning, groundskeeping, laundry and maintenance services, to hospitals, clinics, nursing homes, retirement and care centers around the world. In order to better address our clients' needs, we have sub-segmented the Healthcare market into long-term care facilities, primarily for seniors, and acute care facilities, providing services primarily to hospitals and outpatient clinics. Historically, a larger proportion of our business has come from the acute care facilities, but restructuring in the healthcare industry in recent years has resulted in fewer hospitals as well as in shorter patient stays, leading the short-stay market to contract by approximately one percent each year. By contrast, shifting trends in caring for the elderly have led the long-stay market to expand by approximately 1.5% each year. The Healthcare market has traditionally been more insulated from economic downturns than the Business and Industry market, lending stability to our revenue base.

Education. In fiscal 2003, revenues in the Education market totaled EUR 2.8 billion at over 4,700 sites, representing 26% of our total Food and Management Services business revenues. This portion of our business provides food and management services to educational institutions ranging from nursery schools to universities. Clients choose us to design, manage and equip their food service facilities and to provide a wide range of incidental services. Besides food, we offer vending, laundry, maintenance, groundskeeping, environmental services, day care, mealtime supervision and hospitality services. Like the Healthcare market, the Education market is relatively unresponsive to changing economic conditions and thus contributes to reducing volatility in our revenues.

Remote Sites. As of the end of fiscal 2003, we operated this activity in

1,049 sites around the world and generated revenues of EUR 543 million. Our primary clients in this activity are oil and gas, construction and mining businesses, to which we offer a wide range of food, hotel, cleaning, technical maintenance, security, groundskeeping, medical surveillance and leisure services, as well as the management of on-site clubs and retail outlets. Clients in the oil and gas industry currently represent approximately two-thirds of our business in this activity. This business tends to be cyclical, depending upon the price of oil and gas, which drives exploration efforts, and the extent of economic growth, which drives the construction market. We estimate the worldwide remote services market, which spans five continents, to be approximately EUR 10 billion per year, and our only global competitor currently is Compass. We believe that new opportunities will develop for service providers as prices for raw materials stabilize and the depletion of natural reserves in some countries leads to prospecting in new onshore and offshore areas.

River and Harbor Cruises. We operate our river and harbor cruises activity with 55 boats and it generated revenues of EUR 87 million in fiscal 2003. We have selectively built an international presence as a premier boat operator in France, the United States and the United Kingdom, rendering us the largest operator of river and harbor cruises in the world, based on annual revenues. This activity is more capital intensive than the remainder of our businesses.

Services Mix

Most of our revenues are generated from food services, but our revenues in the Food and Management Services business increasingly arise from providing ancillary support services to our clients, which, together with food service, we refer to as "multiservices." The multiservices market is underpenetrated; we estimate the not-yet-outsourced portion to be EUR 380 billion annually worldwide. We expect that the proportion of non-food services we provide will increase relative to our food services in the future.

Food Services. The food services industry is broadly divided among the areas of contract catering, concessions, vending and restaurants. The food services we provide can generally be described as contract catering - that is, the preparation and provision of meals to third parties on behalf of a client, usually on the premises of the client in cafeterias or other on-site facilities. The third parties to whom we supply our food services tend to be either employees of our clients or consumers of other services provided by our clients. Corporate clients request food services for their staff employees and executives, hospitals do so for their patients and visitors, retirement communities for their residents, and schools for their students.

Capital requirements in this business are minimal because of

- low capital expenditures, as operations are generally conducted at client sites;
- low fixed costs; and
- predictable cash flow from client and customer payments, which reduces working capital needs.

For certain clients, such as primary and secondary schools in France, we use central kitchen areas financed or owned by our clients where we prepare foods for delivery to client sites. We then arrange for delivery of these prepared foods to locations where either our employees or, depending on the contract arrangement, workers hired by the client serve the food to its ultimate consumers. In the majority of cases, however, we prepare and serve the food on-site.

Within this core business, we also provide advice and technical support with respect to the design and installation of food service facilities and the training of catering and other service personnel. Innovation in this activity is crucial to meeting demand and enhancing our client base. We have, for instance, expanded our core food service business from basic on-site food preparation and service to event catering, take-out, office delivery, off-site meal delivery, and vending. New vending concepts allow teams working during non-business hours to get hot meals at any time during the day or night at a reasonable cost. Small companies without cafeteria facilities can have meals delivered to them on-site or have vending machines installed.

Our ability to attract and retain clients depends not only on the cost, quality and efficiency of our service but also on our ability to gauge and address the preferences of the consumers for the food we serve. Consequently, we see the design, tailoring and innovation of our menu options as a key aspect of the services we provide. In the Education market, we have profiled and analyzed different age groups through parent and child interviews, independent market studies and other methods in order to develop optimal food service packages for students. In the Healthcare market, in connection with the long-term healthcare business, we have designed a broader range of purpose-designed services to meet the needs of an ever-growing number of seniors based on an international profile of seniors and their lifestyles we developed, the first of its kind in our industry. In the Business and Industry market, we have adapted the practices of food stations and theme menus to the particular needs of our clients and their employees using our customer profiling system, Conviv'styles(R).

Multiservices. Recognizing significant value added to our clients in service areas that are not directly related to food is a focus area of our growth strategy. We believe that providing these additional services is key to our expansion. As consumers' needs become more sophisticated, clients will continue to seek service contractors who are able to provide solutions for all of their non-core food and management services on a quality, efficient, cost-effective basis. The ancillary services we provide are complementary to our food services and fall into three main categories.

- People services, which are tailored to end-users and provided on the client's premises. These include our retail food services as well as dry cleaning, newsstands, leisure services and the on-site management of health club facilities and day care centers.

- Business support services, which add value to our clients through the management of peripheral activities. Reception, mailroom, switchboard, groundskeeping, housekeeping, custodial and janitorial services, security and surveillance and transportation are among the tasks which we perform to ensure the smooth operation of our clients' businesses.

- Building management and maintenance services, which comprise the technical maintenance operations required to deliver electricity, water, other utilities, heating and ventilation to the various areas on a particular site. In Europe, for example, our subsidiary Altys provides building services to large client accounts such as Cisco in France, Belgium and Germany.

The Market for Outsourced Food and Management Services

We estimate that approximately two-thirds of food management services worldwide currently remain self-operated, and an even greater proportion of other ancillary services is not outsourced. We believe that over the past ten years, the portion of outsourced Food and Management services has increased

steadily and we further believe that this trend will be reinforced by the growing advantages of outsourcing peripheral activities in favor of large, experienced contractors capable of providing higher quality services at a lower cost. Specifically, outsourcing support functions allows potential clients to:

- improve the quality and consistency of support services through professional management;
- benefit from current, innovative trends in procurement and delivery of these services; and
- improve cost effectiveness through the economies of scale and operational synergies that a specialized provider can achieve.

Outsourcing recently has grown particularly in the Education and Healthcare markets, where a large number of the services we provide had historically been undertaken by the government or other public institutions. Governments have found outsourcing to be a useful tool in attempting to reduce central expenses and budget deficits.

Healthcare represents the largest potential market for food and management services with outsourcing rates still comparatively low. We estimate that roughly half of this market is in short-stay care centers (public and private hospitals) and half in long-term care facilities for the elderly and dependent. On average, we estimate that about one quarter of this market is currently outsourced, with short-stay facilities generally more likely to outsource than long-stay facilities by a ratio of almost two-to-one. A multiservice approach is especially important in the Healthcare market, where pressure on cost structures combined with greater life expectancy and increasingly sophisticated medical technologies has led clients to seek to reduce the cost of services that are not an integral part of their business.

We estimate that the Education market is about one-third outsourced, with about half of private sector institutions and about one-fourth of public institutions outsourcing food service. Much of the opportunity for outsourcing in the Education market is concentrated in ten countries. The campus dining marketplace, principally colleges and universities, continues to shift from residential board plans to more retail-oriented operations driven by the growing proportion of non-resident day and evening students on campuses, the changing taste and service preferences of young consumers, and colleges' and universities' desire to provide their students with greater flexibility. Traditional cafeterias are being replaced by food courts and similar retail operations providing greater variety of food selection. We believe that these trends, coupled with cost pressures, lead public and private institutions to consider outsourcing. Over the past three years, outsourcing in the Education market has increased steadily.There are significant growth opportunities also in the Business and Industry market, especially in public sectors such as defense in developed countries and across all sectors in emerging markets. The market for multi-service national providers (food and facilities) is growing as large corporations are moving toward outsourcing all of their non-core services on a multisite and multiservice basis. We estimate that only about half of such services are outsourced on average, but substantial differences exist from one country to another.

We estimate the outsourcing potential for multiservices as a whole to be two and one-half times greater than that for food services alone. We believe this potential reflects not only low independent contractor penetration but also an increasing trend ofclients seeking a single-source solution for their facilities and on-site needs.

Contracts

We use two broad contract types in our Food and Management Services business: profit and loss contracts and management fee contracts. However, many of our contracts contain characteristics of both types of contract. The primary distinguishing feature of each contract type is the amount of financial risk we bear and, conversely, our profit or loss potential. Our revenues under each type of contract may vary substantially depending upon such factors as the type of client facility involved, whether hourly workers are employed by us or by our client, the services requested and the amount of capital, if any, invested by us.

In profit and loss contracts, we generally receive all revenue derived from and bear all expenses incurred in providing our services. Expenses under profit and loss contracts generally include labor and food costs, but they can also include commissions paid to the client, typically calculated as a percentage of revenues made on the client's premises. In some cases, we may agree to pay minimum guaranteed commissions to our clients. We may also receive client subsidies to cover our fixed operating costs. Profit and loss contracts are generally indexed for inflation, although our ability to change prices in response to significant variations in cost may be limited. We believe, however, that the existence of a captive on-site customer group, the relative ease of determining sales volumes and operating margins, standard termination provisions and our broad institutional client base limits and diversifies our risk with respect to these contracts.

In management fee contracts, we receive a fee, which is generally fixed, and we are reimbursed for the operational and administrative expenses we incur. These contracts have varying terms and may in some instances provide for the client to purchase food and labor directly or for us to make such purchases and re-invoice the costs to the client. In either case, our profit potential and risk of loss are generally fixed.

In the Business and Industry market, a reduction in client subsidies combined with pressure on costs has resulted in a move from management fee to profit and loss contracts. In the Healthcare market, industry trends, especially in the United States, away from fee-for-service payments and towards a managed care environment has shifted the risk and burden of cost control from insurance providers to the health care institutions themselves, forcing them to focus not only on the cost component of clinical care but also on the cost of all services, including food and facilities management. These cost pressures are driving the trend toward consolidation of healthcare institutions and fixed-cost (profit and loss) contracts for hospital services. Many contracts with healthcare clients condition a portion of our compensation on financial performance objectives as well as other measurements by third parties, such as patient satisfaction.

The length of contracts that we enter into with clients varies. The majority of our services are provided under contracts of indefinite term, which are generally subject to termination on three months' notice by either party without cause. Certain client contracts, such as those with universities, hospitals and event catering, which require capital investments on our part, tend to have fixed terms, generally between three and ten years. When we enter into these contracts, we may negotiate a capital investment to help finance facility construction or renovation. Contractually required investments typically take the form of an investment in leasehold improvements and food service equipment. At the end of the contract term or its earlier termination, assets such as equipment and leasehold improvements typically become the property of the client, but generally the client must reimburse us for any undepreciated or unamortized capital expenditures.

Food and Management Services contracts are generally obtained and renewed either through a competitive process or on a negotiated basis. We selectively

bid on contracts to provide services at facilities within the private and public sectors with contracts in the public sector frequently being awarded on a competitive bid basis under the requirements of applicable law. Contracts for food services with school districts and other public clients are typically awarded through a formal bid process.

Competition

We face significant competition in the Food and Management Services business from local, regional, national and international outsourced service providers, as well as from businesses, healthcare and educational institutions, and government agencies and institutions that choose to operate their own services following the expiration or termination of contracts with us or with our competitors. We compete on the basis of both price and quality of service and product, although in some cases, generally involving large multinational companies or the government sector, clients put a greater emphasis on price. Our mission is to improve the quality of daily life, and hence create value for our clients, and our strategy is to avoid the commoditization of our service offering. Accordingly, we may lose some business to competitors on the basis of price.

Within the outsourced portion of the global market there is a high level of fragmentation. Only the top two companies, we and Compass (headquartered in the United Kingdom), can be considered truly global enterprises. The next two largest contract caterers, Aramark (headquartered in the United States) and Elior (headquartered in France), are pursuing expansion outside of their home countries through acquisitions, but they still remain largely focused on their domestic or continental markets, with less than 40% of their revenues coming from overseas operations in each case (40% for Elior).

The following table shows the ranking of the three leading contract caterers, in terms of revenues, in different market segments, as of August 2003.

	Business & Industry	Education	Healthcare	Total
No. 1............	Compass	Sodexho	Sodexho	Sodexho
No. 2............	Sodexho	Aramark	Compass	Compass
No. 3............	Aramark	Compass	Aramark	Aramark

Source: Broker reports, GIRA

On a national scale, competition levels vary significantly, though concentration is generally higher than on the global stage. High concentration levels are found in some countries such as France, where we, Compass and Elior have over 75% of the outsourced market, and the Netherlands, where we, Compass and Albron, a national provider, have approximately 77%. By contrast, more fragmented environments tend to exist in some of the other countries in which we operate.

While the markets in which we operate continue to be highly fragmented, in recent years the contract food service industry has experienced consolidation and multinational expansion. Drivers for consolidation come from both the client and supplier side. A larger entity with international coverage is able to tender for the larger contracts and can negotiate better terms from its suppliers. In addition, larger companies can obtain economies of scale and implement best

practices across sites. As a result of these benefits of scale, consolidation in the industry has been accelerating, both in terms of the number and size of deals, with the most recent significant examples being the acquisition of Servicemaster by Aramark in 2001 and the merger between Compass and Granada in the United Kingdom which was completed in 2000.

Service Vouchers and Cards

In our Service Vouchers and Cards business, we have operations in 26 countries, mainly in Europe and Latin America, and our vouchers are used by nearly 11.5 million people. As of the end of fiscal 2003, this activity issued over 1.5 billion vouchers on behalf of more than 285,000 clients and generated revenues of EUR 248 million. Our vouchers were accepted at over 825,000 locations and the total nominal value, which is not included in our revenues, of vouchers issued in fiscal 2003 was EUR 4.6 billion. This business generates negative working capital and requires only a modest level of capital investment.

Our Service Vouchers and Cards business, which focused originally on managing employee fringe benefits for companies, has expanded into controlling and managing welfare benefits allocated by federal authorities and local communities. The business currently comprises three product families: daily life, incentive and assistance, which are used to pay for a wide range of social and fringe benefits, including healthcare and household bills, and to purchase everything from gas and groceries to clothing and medications. Our clients are generally commercial enterprises and community and governmental entities. Revenues from service vouchers and cards activities include the commissions paid by our customers who buy the service vouchers and cards from us and commissions from our affiliated retail outlets where the service vouchers and cards are redeemed. Customer commission revenues are recorded at the time of issuance of the service voucher or card. Affiliate commission revenues are recorded at the time of redemption. Revenues also include interest income from the investment of proceeds from the time of sale of the vouchers to our customers until the time of their redemption, when we must repay our affiliates, generally a one-to-three-month period. Service vouchers are used by businesses of all sizes, primarily in large urban centers, and they frequently carry tax or labor law benefits.

To meet new needs and enhance quality, we are constantly expanding our range of services through research and development in card technology, data processing, security and control systems. In fiscal 2000 and 2001, new order processing software was rolled out, and custom-designed affiliation programs were introduced. Express voucher delivery and personalized voucher pick-up from restaurants both significantly contributed to the efficient handling of nearly one billion issued vouchers. We are also developing card technology in Europe and Latin America to offer an advanced solution to client businesses and government agencies which require a more secure, comprehensive alternative to vouchers.

The current market for service vouchers and cards is estimated at more than EUR 15 billion worldwide, but we estimate that the potential market for existing products in countries where we are already present totals more than EUR 30 billion, making it our fastest-growing activity. Between 2001 and 2002, organic growth in this activity approached 20%, and organic growth between 2002 and 2003 was 11%. We are the second-largest service vouchers and cards business in the world, based on annual revenues. We have only one significant global competitor, Accor. Significant drivers in the industry include product development, geographical expansion, name recognition (branding) and the synergy effects of building large networks of affiliates. Our current objectives in this activity are to (i) consolidate our number two position by offering the best perceived quality services in the market; (ii) enhance our capabilities in new

technologies, with a focus on smart card technology; and (iii) innovate and develop new products and services to capture a greater share of the market.

Raw Materials

Raw materials essential to the operation of our business are obtained principally through local and national food distributors in each of the jurisdictions in which we operate. As such, we are subject to fluctuating food prices and availability, both of which can vary by location. Furthermore, because of the relatively short storage life of inventories, especially produce, limited storage facilities at customer locations and our client requirements for freshness, a minimum amount of inventory is maintained at customer locations at any given time. All materials and services that we purchase are available from more than one supplier, and we believe that the loss of any supplier would not have a material impact on our business.

Since our inception in 1966, we have been highly proactive in addressing food safety and health concerns. For example, in November 1999, we formed a Food Safety Committee in France to anticipate and manage food safety risk. Comprising four prominent professors and medical doctors specialized in nutrition and food safety, this committee is supported by the technical resources of the Institut Pasteur de Lille, a Sodexho partner for more than 20 years, and the French Food Safety Agency. Similar food safety programs are continuously being developed and extended across Europe and in other countries. End-to-end traceability has been introduced in all of the procurement channels, whether for meat or other products.

Seasonality

Although revenues of our business as a whole do not tend to fluctuate significantly by season, certain market segments have been characterized historically by seasonal fluctuations in overall demand for services, notably the Education market of our Food and Management Services business and our River and Harbor Cruises operations. In the Education market, revenues and operating performance depends on the school, college and university calendar in each country, with low activity levels during the long vacation periods, principally in our fiscal fourth quarter. Our River and Harbor Cruises operations generally benefit from increased tourism levels in the fourth quarter and may be reduced to restricted operating levels in our fiscal second and third quarters as a result of inclement weather.

Regulation

The following description of the regulations to which we are subject does not purport to be complete and is qualified by reference to the relevant provisions of applicable law in the jurisdictions in which we operate.

We are subject to various governmental regulations throughout the world in the course of our operations. These regulations govern such matters as employment, including wages; environmental protection; human health and safety; and the bidding for and performance of contracts with governmental entities. To ensure compliance with these regulations, our facilities and products are subject to periodic inspection by authorities at a local and national level in many jurisdictions in which we operate.

The most significant of the regulations which apply to our business relate to the handling, preparation and serving of food, and impose standards for food temperature, kitchen cleanliness and employee hygiene, among other things. In

addition, certain of our operations are subject to licensing requirements with respect to serving alcoholic beverages, including restrictions on individuals to whom alcoholic beverages may be served. Various state agencies and governmental entities have also imposed nutritional guidelines and other requirements on us at some of the education and corrections facilities we serve.

Many of our subsidiaries, especially those in countries which are members of the European Union, must comply with employment regulations designed to protect hourly, part-time and full-time employees. These regulations govern working hours, wages, unfair dismissal and discrimination. Furthermore, pursuant to European Union regulation and subject to certain limitations and exceptions, in the event we are assigned a contract for food service at a site within the European Union from another contractor or from a client, we are required to hire all workers who were employed at that site and were on the previous employer's payroll to provide food services.

We have installed various internal controls and procedures designed to maintain a high level of compliance with these regulations, but we cannot assure you that we are in full compliance at all times with all applicable laws and regulations. The cost of our compliance programs is not material, but it is subject to additions to or changes in legislation, changes in regulatory implementation, and changes in the interpretation of applicable regulations. If we fail to comply with applicable laws in any jurisdiction in which we operate, we could be subject to civil remedies, including fines and injunctions, as well as potential criminal sanctions.

Marketing

In those countries in which we have significant operations, our sales teams are focused on developing particular client sectors by identifying and pursuing potential new business opportunities, analyzing and evaluating such opportunities together with our operational and financial management and developing specific contract proposals. In addition to our professionals dedicated exclusively to sales efforts, our food and support field management shares responsibility for identifying and pursuing new sales opportunities, both with the clients for which they are directly responsible and for potential clients in their geographic area of responsibility. In addition, in several of our major operating territories we also have dedicated sales retention teams. Our sales retention teams participate directly with our operational management teams in client retention, including conducting client satisfaction surveys and the review and implementation of account management procedures. We estimate that approximately 760 people are involved in sales, sales support and marketing, of which approximately 40% are located in North America.

Our marketing efforts are directed both toward increasing our business with existing clients as well as obtaining business from new clients. We regularly develop and offer innovations in products and services for our clients that allow us to grow revenues at existing locations while enhancing value provided to those clients and improving service quality to their customers or employees by tailoring new offerings to their needs. We have a specific process in each country to promote and subsequently implement innovations on a broad scale.

C. Organizational Structure

As of August 31, 2003, we had 243 subsidiaries in 76 countries. Our operations are managed locally through these subsidiaries, although our central management is at the level of Sodexho Alliance, SA. For a complete list of our subsidiaries and a description of our interests in them, please see note 4 to

our Consolidated Financial Statements.

D. Property, Plant and Equipment

Our principal property and equipment consists of our service equipment and fixtures, computer and office equipment, delivery vehicles and cruise vessels.

Our service equipment and fixtures include vending, commissary, janitorial, maintenance and laundry equipment used primarily in the Food and Management Services business. The vehicles comprise automobiles and delivery trucks used in the Food and Management Services business and cruise vessels used in the operation of the river and harbor cruises activity. The service equipment and fixtures, computer and office equipment, delivery and other vehicles and cruise vessels had an aggregate net book value as of August 31, 2003 of EUR 208 million.

Our real estate is comprised primarily of office space in several countries, notably France, the United Kingdom and the United States, and had an aggregate net book value of approximately EUR 99.3 million as of August 31, 2003. No individual parcel of real estate we own is of material significance to our total assets.

In certain circumstances, we lease office space, computer software and other equipment (primarily kitchen equipment). A discussion of our capital lease policy can be found in note 1 to our Consolidated Financial Statements.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The selected consolidated financial data as of and for the years ended August 31, 2001, 2002 and 2003 have been derived from and should be read in conjunction with the consolidated financial statements of Sodexho Alliance included elsewhere in this Annual Report on Form 20-F. The selected consolidated financial data as of and for the years ended August 31, 1999 and 2000 have been derived from consolidated financial statements that are not included in this Annual Report on Form 20-F. Our consolidated financial statements for each of the years ended August 31, 2001, 2002 and 2003 were audited by PricewaterhouseCoopers Audit.

Except as described in note 1 to the consolidated financial statements, our consolidated financial statements have been prepared in accordance with French generally accepted accounting principles ("GAAP"), which differ in certain significant respects from U.S. GAAP. Note 5 to our consolidated financial statements describes the principal differences between French GAAP and U.S. GAAP, as they relate to us, and reconciles our net income to U.S. GAAP for each of the years ended August 31, 2003, 2002 and 2001, and our shareholders' equity to U.S. GAAP as of August 31, 2003 and 2002.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in compliance with relevant French law and in conformity with accounting principles generally accepted in the United States of America, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities, including judgments related to the selection of appropriate accounting policies as well as the

appropriate application of those policies. Actual results could differ from those estimates. Our significant accounting policies are described in the notes to the consolidated financial statements included in this Annual Report on Form 20-F. However, we have identified a number of those accounting policies and estimates which we believe are the most significant to our business operations and to an understanding of our financial statements and related footnotes.

Revenue Recognition

Our revenue recognition policies are substantially the same for both French and U.S. GAAP.

In the Food and Management Services business (which now includes remote site 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 service voucher activities include commissions received from customers, which are recorded upon issuance of the vouchers to the customers; commissions received from affiliates, which are recorded upon redemption of the vouchers by the affiliates; and interest income realized on the nominal value of the vouchers during the period from their issuance through redemption (generally, one to three months).

Business Combinations and Impairment of Intangible Assets and Goodwill

Accounting policies for business combinations and impairment of intangible assets and goodwill differ between French and U.S. GAAP.

Under French GAAP, all of our business combinations are accounted for as purchases. The cost of an acquired company is assigned to the tangible and intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill, which is amortized over its estimated useful life. Where we have established a strong presence in a geographic market through an acquisition, an additional intangible asset, market share, is recorded in the allocation of purchase price (within intangible assets in our consolidated balance sheet). Market share is principally determined based on an average of multiples of revenues and EBITA achieved by the acquired companies in the applicable countries as compared to unrelated recent transactions in the marketplace and is reviewed annually for diminution in value. Initial allocations to market share require management to exercise judgment in the choice of unrelated recent transactions in the marketplace. If management believes there has been a significant diminution in the market share value for more than two consecutive years, as determined based on actual results of the applicable subsidiary as compared to the original calculation, it is written down by the amount of the diminution in value. This valuation of market shares on a historical basis is also supported by a calculation of the current value of these assets as of August 31, 2003 and based on discounted future cash flows. Market share intangibles are not amortized in the consolidated financial statements, and no deferred taxes are recorded on market share intangibles.

Under French GAAP, intangible assets (other than market share) and goodwill are written down to estimated net realizable value when negative conditions are identified. Impairment is determined based on an estimation of value and future benefits of the intangible assets. Should this determination indicate than an intangible asset or goodwill is impaired, the related amortization period is revised or a write-down is recognized. Impairment for market share intangible

assets is recognized as a diminution in value in accordance with the policy described above.

Under U.S. GAAP, all of our business combinations are accounted for as purchases. In accordance with SFAS No. 141, "Business Combinations" (APB 16, "Business Combinations," for transactions consummated prior to June 30, 2001), the cost of an acquired company was assigned to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. In accordance with U.S. GAAP, customer relationships, trademarks, assembled workforce (for transactions consummated prior to June 30, 2001 only), and software intangible assets have been identified with respect to our acquisitions. As such, for U.S. GAAP purposes, a portion of the amount allocated to market share and goodwill under French GAAP is allocated to these identified intangible assets. The remaining excess of the cost of the acquired company over the fair value of the net assets acquired is recorded as goodwill. The allocation of purchase price to intangible assets other than goodwill requires management to make estimates with respect to the fair value of those intangible assets, which fair value is largely dependent on assumptions utilized in the valuation methodology, including estimates of future cash flows and appropriate discount rates. A deferred tax liability is recorded with respect to all intangible assets except goodwill, and the amount assigned to goodwill is increased by an amount equal to the deferred tax liability recorded, if any.

For U.S. GAAP purposes, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which required us to reclassify (into goodwill) the carrying value of assembled workforce intangibles and those customer relationship intangibles which did not meet the criteria of SFAS 141 for recognition apart from goodwill. Intangible assets representing assembled workforce and certain customer relationship intangibles, totaling EUR 138 million and EUR 17 million, respectively, were reclassified from intangible assets to goodwill as of the date of adoption of SFAS 142 which, for the Group, was September 1, 2001. Related deferred tax liabilities totaling EUR 55 million were also reclassified to goodwill. None of the identifiable intangible assets recognized apart from goodwill were considered to have indefinite lives. In connection with the transitional goodwill impairment evaluation required by SFAS 142, we determined that there was no impairment and, accordingly, no transitional impairment loss was recorded in the fiscal 2002 U.S. GAAP income statement. The transitional goodwill evaluation required management to make assumptions with respect to the identification of its reporting units. In addition, it required management to make certain assumptions and estimates, including estimates of future cash flows and appropriate discount rates, in order to determine the fair value of the reporting units so identified. Upon adoption of SFAS 142, we ceased amortizing goodwill (including that portion of goodwill which was generated by the reclassification of assembled workforce and certain customer relationship intangibles as of September 1, 2001). All other intangible assets, including customer contracts, trademarks and software, are amortized over their estimated useful lives.

SFAS 142 also requires us to evaluate our goodwill (and identifiable intangible assets with indefinite lives, if any) for impairment at least annually and more frequently if specific events indicate that an impairment in value may have occurred. Similar to the transitional impairment evaluation, this evaluation requires management to make assumptions with respect to the identification of its reporting units as well as the determination of the fair value of the reporting units so identified.

SFAS 144 (SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" through fiscal 2003) requires that we review our identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not

be recoverable (a "triggering event"). The review for recoverability requires us to estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the asset, an impairment loss may be recognized, which is measured based on the fair value of the asset. Management is required to exercise judgment in the determination of whether a triggering event has occurred as well as in the development of the assumptions used to estimate future cash flows and determine fair value, as needed.

Provisions for contingencies and losses

Under French GAAP, provisions for contingencies and losses may be recognized when there is a possibility of loss and prudence is an important, although not the only, consideration. In general, provisions for risks and charges represents liabilities which have not been settled, or for which the settlement amount or other pertinent information is unknown, as of the balance sheet date. Such amounts are reflected as charges in the income statement in the period in which they are provisioned.

Under U.S. GAAP, provisions for contingencies and losses (contingent liabilities) are recognized for specific existing risks when the related loss is both probable and estimable and, in certain specific situations such as business combinations and restructurings, when certain additional criteria are met. If a loss is determined to have been incurred and management is able to reasonably estimate the amount of the loss, an amount must be accrued for the loss. Where the amount of the probable loss is determined within a range of possible outcomes and no single amount within the range is considered to be a better estimate than any other amount within the range, that amount is accrued. However, when no amount within the range is considered to be a better estimate than any other amount, the minimum amount in the range is required to be accrued.

Under both French and U.S. GAAP, the recording of provisions requires management to exercise significant judgment in determining the timing of recognition and amount of recorded provisions.

Actuarially-Determined Liabilities

Included in other liabilities are liabilities established using actuarial methods, notably for pensions and postretirement benefits in some of our subsidiaries located in France and the United Kingdom. In French GAAP, there are no specific requirements pertaining to accounting for pension and post-retirement benefits. For subsidiaries located in France, the projected unit credit valuation method is used to evaluate the pension and post-retirement liabilities under French GAAP. In the United Kingdom, our pension plans are administered by a third-party insurance company. Under French GAAP, premiums paid to the insurance company are recorded as an expense in the period in which they are made. Under U.S. GAAP, pension and post-retirement benefits are accounted for using the methodologies prescribed by SFAS 87 and SFAS 106, respectively. Both the projected unit credit valuation method and the methodologies prescribed by SFAS 87 and SFAS 106, which are substantially similar, require the use of actuarial assumptions, including the discount rate, the rate of compensation increase and expected long-term rate of return on plan assets. These assumptions are determined by management and require management to exercise considerable judgment.

Also included in other liabilities are liabilities for workers' compensation, principally in the United States. These liabilities are estimated using actuarial methods for both French and U.S. GAAP based on assumptions made by management with respect to the expected development of known and incurred but not reported claims.

Derivative Financial Instruments

Under French GAAP, our derivative financial instruments, which consist primarily of interest rate and cross-currency swap agreements on debt instruments, are considered to hedge the underlying debt. Any interest rate differential is recognized as an adjustment to interest expense over the term of the related underlying debt. For swaps negotiated on inter-company debt, the difference between the amount of the debt at the period end rates and the swapped rates is recorded as debt. Where the hedge is of a net investment in a foreign subsidiary, the resulting foreign currency translation difference is recorded in the currency translation adjustment account in shareholders equity.

Under U.S. GAAP, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which was effective for the Group September 1, 2000, requires all derivative instruments to be recorded on the balance sheet at their fair value. Changes in fair value are recorded currently in earnings unless the item is designated, qualifies, and is effective as a hedge. Fair value is defined as the amount that would be paid or received to terminate the derivative instrument at the balance sheet date. Changes in the fair value of derivatives designated as part of a hedge transaction are recorded each period in current earnings or other comprehensive income, depending on the type of hedge transaction. For cash flow hedge transactions in which we are hedging the variability of cash flows related to a variable rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument is reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income are reclassified to earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recognized in current period earnings. For certain derivative financial instruments, as permitted by SFAS 133 and as described below, we have elected not to prepare the documentation required by SFAS 133 in order to meet hedge accounting criteria. Had we met and appropriately documented the hedge accounting criteria required by the standard, reported earnings under U.S. GAAP might have been different in each of the periods presented.

Under U.S. GAAP, we have accounted for all of our derivative financial instruments (other than those of Sodexho, Inc., as described below), which consist primarily of interest rate and cross-currency swap agreements, both prior and subsequent to the adoption of SFAS No. 133 at fair value with changes in fair value of instruments recognized currently in earnings. The aggregate adjustment reflected in the reconciliation of consolidated shareholders' equity and consolidated net income (loss) to U.S. GAAP as of and for the years ended August 31, 2003, 2002 and 2001 for "Derivative financial instruments" is attributable entirely to derivative financial instruments accounted for at fair value. The fair value of our derivative financial instruments is generally obtained from third party financial institutions.

Under U.S. GAAP, Sodexho, Inc.'s interest rate agreements have been designated as cash flow hedges in accordance with SFAS No. 133. As of August 31, 2003 and 2002, and for the fiscal years then ended, these cash flow hedges were determined to be effective hedges and, accordingly, changes in their fair value are reflected in the statement of comprehensive income (recorded directly in shareholders' equity).

Currency Translation

For subsidiaries located in foreign countries, 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 year, calculated using monthly averages. 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, except with respect to countries considered highly inflationary, where this difference is included in net financial expense. Foreign exchange gains and losses resulting from intragroup transactions in foreign currencies during the year are recorded in the income statement.

BALANCE SHEET AND INCOME STATEMENT DATA

Our consolidated financial statements and the selected financial data presented below are reported in euro. For periods prior to January 1, 1999, our financial statements were prepared in French francs and translated into euro using the official fixed exchange rate of EUR 1.00 = FF6.55957, applicable since December 31, 1998 (see note 1 to our consolidated financial statements).

	As of and for the year ended August 31,					
	2003 USD (3)	2003 EUR	2002 EUR	2001 EUR (5)	2000 EUR (5)	1999 EUR
Income Statement Data	(in millions, except per-share amounts)					
French GAAP amounts						
Revenues............	14,017	11,687	12,609	11,928	10,496	9,027
Earnings before interest, exceptional items, income taxes, income from equity method investees, goodwill amortization and minority interests (EBITA)............	616	514	525	571	530	448
Financial expense, net................	(188)	(152)	(166)	(122)	(118)	(131)
Minority interests in net income of consolidated subsidiaries.......	(11)	(9)	(13)	(67)	(69)	(56)
Net income..........	194	162	202	128	79	128
Earnings per share (basic)............	1.22	1.02	1.27	0.93	0.59	0.95
Earnings per share (diluted)..........	1.20	1.00	1.22	0.89	0.56	0.92
Dividends per share..............	0.73	0.61	0.61	0.56	0.56	0.45
U.S. GAAP amounts						
Revenues............	14,020	11,690	12,618	7,557	5,648	

Operating income....	480	400	404	153	195	
Net income (loss)...	176	147	136	(34)	24	
Earnings (loss) per share (basic)......	1.13	0.94	0.86	(0.25)	0.18	
Earnings (loss) per share (diluted)....	1.13	0.94	0.85	(0.25)	0.17	

Balance Sheet Data

French GAAP amounts						
Intangible assets, including acquisition goodwill...........	5,011	4,178	4,556	4,731	3,527	3,111
Tangible fixed assets, including non-working capital, financial investments and other assets...	756	614	584	519	538	556
Working capital(1)..	(1,511)	(1,260)	(1,275)	(1,208)	(1,016)	(753)
Cash and cash equivalents(2).....	1,533	1,278	1,307	1,213	897	758
Total assets........	9,724	8,108	8,544	8,638	6,951	6,026
Total borrowings....	2,984	2,488	2,693	2,781	2,009	2,047
Provisions for contingencies and losses............	107	89	99	93	115	124
Minority interests.	88	67	73	131	525	333
Total shareholders' equity.............	2,697	2,249	2,398	2,386	1,402	1,276
U.S. GAAP amounts						
Total assets........	9,701	8,089	8,503	8,820	4,397	
Total shareholders' equity............	2,082	1,736	1,880	2,029	1,095	

(1) Working capital is calculated as the net of an asset component (current assets, loans receivable and deposits and other and prepaid expenses less cash, cash equivalents and restricted cash) and a liability component (accounts payable, vouchers payable and other liabilities).

(2) Cash and cash equivalents includes restricted cash. See note 1 to our consolidated financial statements for an explanation of restricted cash.

(3) The consolidated financial statements are prepared and presented in euro. The U.S. dollar amounts presented in the table above have been translated solely for the convenience of the reader using the November 30, 2003 2 p.m. ECB time rate quoted by the European Central Bank of $1 = EUR 0.8338.

(4) See Note 1 to the consolidated financial statements for a discussion of the impact of changes in accounting principles.

(5) Certain amounts for the years ended August 31, 2002 and 2001 differ from the corresponding amounts for the same periods reported in the Company's Document de Reference filed with the Commission des Operations en Bourse. See note 1 to the Consolidated Financial Statements for further information.

A. Operating Results

The balance sheets of subsidiaries located outside of the euro zone that operate in a stable currency environment are translated into euro using exchange rates in effect at the balance sheet dates. The income statements of these subsidiaries are translated at average exchange rates for the period. 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 account as translated at beginning and end of period rates, are recorded in shareholders' equity. Transactions in foreign currencies are translated using the exchange rate in effect at the time of the transaction and the related impact is reflected in the income statement.

We have no significant operations in countries with highly inflationary economies.

Subject to certain de minimis exceptions discussed below, entities managed by us, including entities in which we own at least 40% equity interest and are the single largest shareholder, are fully consolidated. Fully consolidated subsidiaries that have a year-end that is different from our year-end prepare balance sheets as of August 31 for consolidation purposes. The foregoing conditions notwithstanding, subsidiaries with (i) annual revenues of less than EUR 2 million, (ii) annual profits or losses of less than EUR 0.1 million and (iii) net assets of less than EUR 2 million, are excluded from the consolidation. Entities not meeting any of the foregoing conditions, but over which we are able to exercise significant influence, are consolidated using the equity method of accounting.

After reallocating management responsibilities for the remote sites and river and harbor cruises activities to the applicable regions within the Food and Management Services business in fiscal 2003, the Group changed the manner in which it reports its operating segments. Accordingly, the Group now reports two principal operating segments, which are Food and Management Services and Services Vouchers and Cards. The Food and Management Services business is further segmented into four geographic regions. The Group reports the following principal and secondary segments:

Food and Management Services

- North America, which now includes river and harbor cruise activities in the North American region.
- United Kingdom and Ireland, which now includes river and harbor cruise activities in the United Kingdom and Ireland.
- Continental Europe, which now includes river and harbor cruise activities in Continental Europe.
- Rest of the World, which now includes activities on remote sites.

Service Vouchers and Cards

Prior year amounts have been restated to conform to the fiscal 2003 presentation. Following is a reconciliation of the current and prior presentations for each of the years presented:

	Fiscal Year Ended August 31,					
	2003	2003	2002	2002	2001	2001
	Current	Prior	Current	Prior	Current	Prior

Revenues by Activity (1)	presentation	presentation	presentation	presentation	presentation	presentation
	(in millions of euro)					
Food and Management Services						
North America (1).......	5,427	5,387	6,039	5,995	5,719	5,657
Continental Europe (1)..	3,585	3,501	3,491	3,413	3,099	3,034
United Kingdom and Ireland (1)...........	1,453	1,444	1,681	1,671	1,727	1,717
Rest of the World (2)...	974	477	1,119	566	1,134	581
Total Food and Management Services.....	11,439	10,809	12,330	11,645	11,679	10,989
Remote Sites (2).........	0	543	0	590	0	579
Service Vouchers and Cards...............	248	248	279	279	249	249
River and Harbor Cruises (1)............	0	87	0	95	0	111
Total revenues...........	11,687	11,687	12,609	12,609	11,928	11,928

(1) Effective for fiscal 2003, our Food and Management Services activities in North America, Continental Europe, and United Kingdom and Ireland include the River and Harbor Cruises activities in each of those regions. The River and Harbor Cruises activity was formerly reported separately. Prior periods have been restated to reflect the current presentation.

(2) Effective for fiscal 2003, Food and Management Services - Rest of the World includes the formerly separate Remote Sites activity. Prior periods have been restated to reflect the current presentation.

EBITA by Activity	Fiscal Year Ended August 31, 2003 Current presentation	2003 Prior presentation	2002 Current presentation	2002 Prior presentation	2001 Current presentation	2001 Prior presentation
	(in millions of euro)					
Food and Management Services						
North America............	268	270	293	297	294	295
Continental Europe.......	167	158	150	140	139	129
United Kingdom and Ireland.............	21	22	9	11	87	87

Rest of the World.......	18	6	31	7	28	0
Total....................	474	456	483	455	548	511
Remote Sites.............	0	22	0	26	0	30
Service Vouchers and Cards................	68	68	77	77	61	61
River and Harbor Cruises..................	0	7	0	2	0	7
EBITA, excluding corporate expenses.......	542	553	560	560	609	609
Corporate expenses........	(28)	(39)	(35)	(35)	(38)	(38)
EBITA.....................	514	514	525	525	571	571

Overview

Food and Management Services is our most significant activity, and accounted for approximately 98% of our revenues and 87% of EBITA (before corporate expenses) for the fiscal year ended August 31, 2003. It consists of the supply of food and management services to companies, public agencies and institutions, hospitals, clinics, retirement homes, schools, colleges and universities, as well as remote site services to oil and gas operations, both on land and on offshore oil rigs, major construction projects and mining facilities. River and harbor cruises, formerly a separately disclosed segment, represented less than 1% of this activity's revenues and EBITA in fiscal 2003. Approximately half of our fiscal 2003 revenues in the Food and Management Services business were generated in North America. The Service Vouchers and Cards business comprised 2% of our revenues and 13% of EBITA (before corporate expenses) in fiscal 2003.

Fiscal Year Ended August 31, 2003 Compared with Fiscal Year Ended August 31, 2002

Consolidated Overview of Revenues and EBITA

Revenues for fiscal 2003 totaled EUR 11.7 billion, a 7.3% decrease from fiscal 2002. Organic growth of 3.1% was offset by the unfavorable impact of foreign currency translation of 10%, principally arising on revenues denominated in U.S. dollars or reliant on the U.S. dollar exchange rate. The impact of acquisitions (net of divestitures) of negative 0.4% principally reflected the sale of the Lockhart subsidiary in the United Kingdom in May 2002. Organic growth reflected the impact of three significant new defense contracts in the United States and Sweden. Nonetheless, organic growth continued to be hampered by the worldwide economic situation, which weighed on the Business and Industry segment of our Food and Management Services business. We expect our organic growth rate in fiscal 2004 to be at least comparable to that in fiscal 2003 on a consolidated basis.

EBITA decreased by 2.6% to EUR 514 million in fiscal 2003. However, at

constant exchange rates EBITA increased by 9.8%. The operating margin improved moderately to 4.4% as a result of the initial favorable effects of our action plans in the United Kingdom and an improved performance in both North America and Continental Europe.

Analysis of Revenues and EBITA

The following table presents, for the periods stated, the variation in revenues and EBITA by activity.

Revenues by Activity	Fiscal Year Ended August 31, 2003	2002	Change in Revenues EUR	%
	(in millions of euro, except percentages)			
Food and Management Services				
North America......	5,427	6,039	(612)	(10)
Continental Europe.	3,585	3,491	94	3
United Kingdom and Ireland.......	1,453	1,681	(228)	(14)
Rest of the World, including Remote Sites............	974	1,119	(145)	(13)
Total..............	11,439	12,330	(891)	(7)
Service Vouchers and Cards..........	248	279	(3)	(11)
Total revenues......	11,687	12,609	(922)	(7)

EBITA by Activity	Fiscal Year Ended August 31, 2003	2002	Change in Revenues EUR	%
	(in millions of euro, except percentages)			
Food and Management Services				
North America......	268	293	(25)	(9)
Continental Europe.	167	150	17	11
United Kingdom and Ireland.......	21	9	12	133
Rest of the World, including Remote Sites............	18	31	(13)	(42)

Total..............	474	483	(9)	(2)
Service Vouchers and Cards..............	68	77	(9)	(12)
EBITA, excluding corporate expenses.	542	560	(18)	(3)
Corporate expenses..	(28)	(35)	7	20
Total EBITA.........	514	525	(11)	(2)

Food and Management Services

Food and Management Services represented 98% of our consolidated revenues and 87% of our consolidated EBITA before corporate expenses. Our revenues from this segment totaled EUR 11.4 billion in fiscal 2003, reflecting organic growth of 2.9%, which was a net improvement over prior year organic growth of 1.6%. The strengthening of the euro during the year resulted in a negative foreign currency exchange impact of 9.7% while net dispositions decreased revenues by 0.3%.

North America

Food and Management Services revenues in North America for fiscal 2003 were EUR 5.4 billion with organic growth of 4.3%.

Organic growth in the Business and Industry segment was 5.8%. The year was highlighted by the creation of the Defense sub-segment, which contributed revenues of EUR 133 million. Excluding Defense, Business and Industry segment declined by 0.6%. The progressive opening during the year of contracts with clients such as Sony, General Electric Medical Systems, General Mills and a national contract with Hewlett Packard, offset the negative effects of delocalizations and staff reductions in the industrial sector.

Organic growth in the Healthcare and Seniors segment was 3.5%. This progression reflects continued good performance on existing sites as well as the signing of some new multiservice contracts toward the end of the year. Other recent commercial successes such as Spring Valley Hospital Center, North Colorado Medical Center and the Medical Center of Louisiana will begin to have a favorable impact in fiscal 2003-2004.

The Education segment's revenues reflected organic growth of 3.7% for fiscal 2003. Significant contracts were signed at the end of the year, such as the Atlanta Public School District, Rowan University in New Jersey, the University of Connecticut and Morehouse College in Georgia.

EBITA in North America reached EUR 268 million. Operating margins increased from 4.8% in the prior year to 4.9% for fiscal 2003. This improvement resulted from revenue growth on existing sites in Healthcare and Education and

the continued optimization of purchasing and employee costs in all segments. The margin improvement was partially offset by start-up costs in the Defense sub-segment and costs related to the implementation of new information systems.

Continental Europe

In Continental Europe, revenues rose to EUR 3.6 billion in fiscal 2003, with organic growth of 3.6%, as follows: 4.0% in Business and Industry, 3.7% in Healthcare, and 2.1% in Education.

In France, the Healthcare segment continued its steady development, notably with the signing of "Global Hospitality" contracts such as the Chenieux clinics in Limoges and Clinique St. Louis in Poissy. In Business and Industry, growth was maintained, despite a depressed economic environment. Labor strikes during May and June weighed on growth, particularly in the Education segment.

In Northern Europe, the opening of contracts with the Swedish army and the city of Stockholm in the Healthcare segment, as well as contracts with Nokia in Finland and Vattenfall in Sweden in Business and Industry contributed to our organic growth.

In other countries in Continental Europe, significant contracts were signed during the year, both in food service as well as multiservice. Examples include Banco Santander in Spain, Euroform in the Netherlands, and Wal-Mart in Germany.

Sodexho Prestige continued its development, particularly in France, with the operation of renowned restaurants such as Roland Garros. In Sweden, Sodexho Prestige operates the Parliament Restaurant.

EBITA increased by 11.3% and the operating margin grew from 4.3% to 4.7%. This increase resulted from a strong improvement in gross operating profit due to the pursuit of our Five Step process, which is intended to optimize purchasing and to a lesser extent to implement a selectivity strategy which in certain cases led us not to renew certain insufficiently profitable contracts. In addition, overheads were contained and increased in line with revenues.

United Kingdom and Ireland

In the United Kingdom and Ireland, revenues totaled EUR 1.5 billion in fiscal 2003, a decline of 13.7% from the prior year, including a negative currency exchange impact of 6.8%. The remaining difference was attributable to the sale of the Lockhart subsidiary in the third quarter of fiscal 2002. On a constant consolidation basis and excluding the currency effect, revenues declined by 3.9%, in part due to the new management team's decision to exit unprofitable contracts, notably in the Hotels sub-segment. In addition, retention rates declined, for example, in the Healthcare segment, where certain clients returned to self-operation. Finally, revenues were affected by site closings and cost reductions made by Business and Industry clients. New contracts signed included a multiservice contract with Glaxo Smithkline, two detention centers and the Deep Cut garrison.

EBITA of EUR 21 million in fiscal 2003 reflected an EBITA margin increase to 1.4% as compared with 0.5% for the prior year. The action plan to improve profitability in the United Kingdom subsidiary is underway. This plan includes rigorous control over food and employee costs at each site, and the renegotiation or exit from certain contracts. In spite of Land Technology's disappointing operating performance, the EBITA margin improved by 0.9%. The action plan also relies on training and motivation of the teams as well as strict containment of overheads. Important training initiatives were undertaken during the year such as "Sodexho Way," to reinforce the rigor of operations

management, and to improve contracting policies. In addition, noteworthy investments were made in human resources including external recruitment of executives to reinforce the sales and marketing departments as well as the management of the Healthcare segment. The return to a margin similar to the Group's overall food and management services margin is the strong priority for the next two or three years.

Rest of the World

In the Rest of the World, which includes the worldwide remote sites activity, revenues of EUR 974 million reflected organic growth of 3.9%.

In spite of an unfavorable economic environment in the industrial sector, we continued our development in Latin America and won several new contracts in multiservice including Coca Cola, Codelco Norte and Carrefour in Chile, Pepsi Cola and Clariant in Venezuela, Techint in Peru, and Exito in Colombia.

In China we continue to experience strong growth as a result of new contracts in all segments such as with Motorola, Shanghai Container Limited, and Richina in Business and Industry, and Yewcchung Shanghai Internal School and CAFA in Education. Healthcare development continued with the signing of contracts with the Jin Shan and Dacang hospitals.

In Australia, we experienced strong growth, as our Minesite subsidiary obtained a contract with the Golden Valley camp.

The remote sites activity had good performances in the North Sea and in Alaska. The slowdown of foraging activity in the Gulf of Mexico was confirmed.

The reinforcement of our sales teams and our strategy of following our clients on large projects have begun to show results, such as the three-year contract recently signed with Chiyoda on Sakhalin Island (Russia).

Total EBITA for these regions was EUR 18 million as compared to EUR 31 million for the prior year. The operating margin declined from 2.9% for fiscal 2002 to 1.9% in the current year. A difficult environment and strong competition in Latin America weighed on EBITA. Finally, in remote sites, expenses related to the opening of certain contracts and to the reinforcement of our sales structures, as well as the allocation of certain overhead costs previously supported by Group management, also weighed on the operating margin.

Service Vouchers and Cards

Sodexho Pass had revenues of EUR 248 million and organic growth of 11.3% in fiscal 2003, representing business activities in 26 countries. This increase was mainly attributable to new contracts in our traditional services (meal and food), such as Telecom and Technit in Argentina, SNCB in Belgium, the Ministry of Health in Venezuela, and General Motors in Mexico. Growth also resulted from new services offered to existing clients such as, for example, a culture card provided to 199,000 students in the Centre and Burgundy regions of France, and the creation of the Education voucher for 15,000 beneficiaries of the Postal Service in Hungary, and the consultant voucher "Adviescheque" in Belgium.

EBITA was EUR 68 million for fiscal 2003, compared to EUR 77 million for the prior year. 74% of the EBITA for this activity is earned in foreign currencies, and therefore, as a result, currency fluctuations have a more significant impact in this activity than in the other activities. The operating margin of 27.5% was comparable to that of the prior year.

Corporate Expenses

Corporate expenses, which are included in EBITA, of EUR 28 million in fiscal 2003 declined significantly from the prior year. This was the result of the allocation of corporate expenses to each operating entity.

Financial Expense, Net

Net financial expense totaled EUR 152 million as compared to EUR 166 million in the prior year. The improvement resulted in part from a reduction in interest expense due to the reduction in debt and exchange rate variances and also from the impact of items which affected the prior year, principally the provision of EUR 19 million on Sodexho Alliance shares held and the non-repetition of foreign currency exchange gains realized in the prior year in the Service Vouchers and Cards business, when funds were converted into strong currencies.

Net Exceptional Income/Expense

Net exceptional income totaled EUR 1 million in fiscal 2003 and is principally explained by a EUR 28.6 million purchase price complement received in fiscal 2003 in connection with the sale of our shares in CCA in fiscal 2001, offset by provisions recorded on Sodexho Alliance stock options and losses on Sodexho Alliance shares totaling EUR 13.6 million, restructuring costs in the United Kingdom and the U.S. totaling EUR 7.6 million, and exceptional costs related to litigation of EUR 5 million.

Income Taxes

Income taxes declined to EUR 134 million in fiscal 2003 for an effective rate of 36.9%, which is comparable to the prior year when computed in the same manner.

Net Income from Equity Method Investees

Net income from equity method investees was EUR 4 million, which was comparable to the prior year.

Minority Interests

Minority interests decreased from EUR 13 million in fiscal 2002 to EUR 9 million in fiscal 2003 mainly as a result of currency effects.

Goodwill Amortization

Goodwill amortization decreased from EUR 67 million in fiscal 2002 to EUR 62 million in fiscal 2003, mainly as a result of currency exchange impacts.

Fiscal Year Ended August 31, 2002 Compared with Fiscal Year Ended August 31, 2001

Consolidated Overview of Revenues and EBITA

Revenues for fiscal 2002 totaled EUR 12.6 billion, a 5.7% increase over fiscal 2001. This increase is net of a 2.5% decrease attributable to the unfavorable impact of foreign currency translation, principally arising on revenues denominated in U.S. dollars or reliant on the U.S. dollar exchange rate. The acquisitions of Wood Dining Services and Sogeres in the fourth quarter of fiscal 2001 contributed 6.2%. Organic growth of 2.0% reflected strength in the education and health care segments of the Food and Management Services business in North America and in Continental Europe, offset by poor performance in the United Kingdom, where management problems surfaced during a year already made difficult by the continuing global economic recession. Excluding the United Kingdom, organic growth was 2.4%. The recession also continued to adversely affect the Business and Industry segment of our Food and Management Services business, as well as River and Harbor Cruises. We expect our growth rate in fiscal 2003 to improve on a consolidated basis.

EBITA decreased by 8.2% to EUR 525 million in fiscal 2002. Despite the higher sales, EBITA growth was hampered by a negligible EBITA margin in the United Kingdom and Ireland primarily due to management problems in that region, exacerbated by tough economic conditions in the Business and Industry segment. Excluding the performance of United Kingdom, our EBITA margin was 4.7%; including the United Kingdom, our EBITA margin was 4.2%. We have implemented action plans, including a new management team for the United Kingdom and Ireland, in order to improve profitability.

Analysis of Revenues and EBITA

The following table presents, for the periods stated, the variation in revenues and EBITA by activity.

Revenues by Activity(1)	Fiscal Year Ended August 31, 2002	2001	Change in Revenues EUR	%
	(in millions of euro, except percentages)			
Food and Management Services				
North America......	6,039	5,719	320	6
Continental Europe.	3,491	3,099	392	13
United Kingdom and Ireland.......	1,681	1,727	(46)	(3)
Rest of the World, including Remote Sites............	1,119	1,134	(15)	(1)
Total..............	12,330	11,679	651	6
Service Vouchers and Cards..........	279	249	30	12
Total revenues......	12,609	11,928	681	6

(1) Activities reflect the Group's internal management reporting structure.
(2) Percentage figures are derived from actual revenue numbers and so may vary from those calculated from the numbers in this table due to rounding.

EBITA by Activity(1)	Fiscal Year Ended August 31, 2002	2001	Change in Revenues EUR	%
	(in millions of euro, except percentages)			
Food and Management Services				
North America......	293	294	(1)	0
Continental Europe.	150	139	11	8
United Kingdom and Ireland...........	9	87	(78)	(90)
Rest of the World, including Remote Sites.............	31	28	3	11
Total..............	483	548	(65)	(12)
Service Vouchers and Cards..........	77	61	16	26
EBITA, excluding corporate expenses.	560	609	(49)	(8)
Corporate expenses.. ..	(35)	(38)	3	8
Total EBITA...........	525	571	(46)	(8)

(1) Activities reflect the Group's internal management reporting structure.
(2) Percentage figures are derived from actual EBITA numbers and so may vary from those calculated from the numbers in this table due to rounding.

Food and Management Services

Food and Management Services represented 98% of our consolidated revenues and 86% of our consolidated EBITA, excluding corporate expenses. Our revenues from this segment increased in fiscal 2002 to EUR 12.3 billion, an increase of 5.7% over fiscal 2001 revenues, of which 6.2% was from acquisition growth (net of dispositions) and negative 2.5% was from currency fluctuations. Acquisition growth resulted primarily from our acquisitions of Sogeres and Wood Dining Services during the fourth quarter of fiscal 2001. Despite the global economic recession, organic growth was 2.0%.

North America

Food and Management Services revenues in North America for fiscal 2002 were EUR 6 billion, representing an increase of 5.6% from fiscal 2001 revenues, which was net of a negative 3% impact from currency fluctuations. The inclusion of a full year of operations of Wood Dining Services, acquired in the fourth quarter of fiscal 2001, increased revenues by 8.6%, and organic growth was 0.1%. Of particular note were the subsidiary's significant wins in the defense market, with the reaffirmation in July 2002 of a large contract with the United States

Marine Corps, valued at EUR 967 million over ten years, and the award of a EUR 192 million contract over 15 years with the U.S. Naval Air Station in Miramar, California. These important contracts affirm our development strategy in this sub-segment. Healthcare achieved strong organic growth, in part from the expansion into multiservices on existing sites as well as with the signing of several significant new contracts, including University Hospitals of Cleveland, Loyola University Medical Center in Chicago, and Stamford Hospital in Connecticut.

The Education segment also achieved a strong performance. In primary and secondary schools, most of the increase in revenues on existing sites resulted from the deployment of creative solutions such as Kid's Way Cafe, Crossroads Cafe and EDZone, a British innovation adapted to the U.S. market. Significant contracts were signed with Beaufort County School District in South Carolina, Guildford County School District in North Carolina, and Marysville School District in Washington. In higher education, important contracts were signed with Chapman University in California and the University of Wisconsin.

In Business and Industry, despite new contracts signed with, for example, Perot Systems, Chicago Museum of Science and Industry, Merrill Lynch Asset Management and BellSouth, our revenues were down 8% given the difficult economic environment. This decline reflected site closures, reductions in customers on-site, and client decisions to reduce catering services, which represent 10% of the activity in Business and Industry and which declined by 20%. Several contracts signed in 2002 will commence operations in 2003, such as Sony Pictures, MetLife, Federal Reserve Bank in Atlanta, and Nationwide Training Center, and are expected to lead to renewed growth in the upcoming year.

EBITA in North America of EUR 293 million was comparable to the prior year. With the integration of Wood Dining Services for a full year, the EBITA margin was 4.8%, compared to 5.1% in the prior year. Synergies and improvements in food cost management at the sites improved gross profitability. However, a number of factors weighed on the EBITA margin: increases in overhead with the creation of a new division in the Healthcare segment; weaker initial margins at Wood Dining Services as compared to Sodexho, Inc.; the decline in catering services; and an increase in employee medical insurance costs. EBITA for river and harbor cruises was negatively affected by September 11 and the U.S. recession.

Continental Europe

In Continental Europe, revenues rose to EUR 3.5 billion in fiscal 2002, an increase of 12.7% over the prior year. Acquisition growth of 7.7% resulted almost entirely from the integration of Sogeres for a full year. Organic growth in revenues was 5.3%.

France, Italy, the Netherlands and the countries in Central and Eastern Europe continued to grow while expanding their service offerings. In addition, non-food services experienced double digit growth, due in large part to contract wins generated by our subsidiary, Altys, such as with Cisco in Belgium and Germany. In France, the Business and Industry segment had positive growth, defying the economic slowdown affecting not only the high technology sector, but also some of the more traditional sectors of the economy, such as the automobile industry. A noteworthy contract was signed with Danone's Vitapole Research and Development Center.

In Sweden, activities in the transportation sector suffered the fall-out from the events of September 11. Elsewhere, the importance to the Swedish economy of the telecommunications, information technology and engineering sectors was a limiting factor during the period. Nonetheless, a significant

contract was signed in June 2002 with the municipality of Stockholm giving us the management of equipment provided for the use of handicapped individuals.

Strong performances achieved in the Health Care and Senior segments throughout Continental Europe allowed us to maintain growth rates close to those of prior years.

EBITA grew by 8% in fiscal 2002 to EUR 150 million, with Sogeres contributing EUR 12.7 million. Following the significant increases in food costs in the prior year, our subsidiaries in France succeeded in negotiating pricing increases on more than 80% of their contracts. Food cost management and margins improved significantly as a result. EBITA declined in other countries, most notably in Sweden and in Italy, where there was an increase in the number of man-hours lost as a result of worker strikes affecting client sites.

United Kingdom and Ireland

In the United Kingdom and Ireland, revenues totaled EUR 1.7 billion in fiscal 2002, a decline of 3% from the prior year, of which 1.0% was organic. The currency exchange impact was responsible for 1.5% of the decline and the remaining difference was attributable to the third quarter sale of Lockhart, a subsidiary whose activity is the distribution of kitchen equipment, not a core activity of the Group.

New contract wins allowed the Education segment to achieve satisfactory organic growth. A prestigious multiservice contract was signed with the Royal Air Force in the Defense sub-segment. In the Business and Industry segment, our subsidiary was awarded a catering contract for the Commonwealth Games. Multiservice activities continued to develop. However, Business and Industry was affected by the economic slowdown and the significant decline in demand for catering services. In Healthcare, revenues declined with a political climate favoring self-operation.

EBITA went from EUR 87 million in fiscal 2001 to EUR 9 million in fiscal 2002. This deterioration principally arose from the decline in profitability of the Business and Industry segment, which represents more than two-thirds of the region's revenues. Faced with reductions in meal subsidies by our clients and a decrease in the number of consumers at our sites, our teams were not reactive in adapting their cost structures in a timely manner. In addition, a number of recently signed or renegotiated contracts were determined to be unprofitable, and a poorly managed entry into hotel management services generated significant losses. Reduced purchasing volumes negatively impacted margins. Poorly controlled overheads and the installation of a new information system also weighed on profitability. In addition, a restructuring charge of EUR 11 million has been recorded as an exceptional item.

The new management team has put into place an ambitious action plan, for which certain costs were recorded in fiscal 2002. The top priority for the next two to three years is the return to a satisfactory EBITA margin. This will involve in-depth programs to make our contracts more profitable, to train and motivate our teams, to tighten on-site management of food and personnel costs, and to reduce support function overheads.

Rest of the World

In the Rest of the World, including remote sites, revenues of EUR 1.1 billion were unchanged from fiscal 2002, as organic growth of 2.8% was offset by

a negative currency exchange effect of 6.5%.

Latin America continued its expansion, despite an unfavorable economic climate in the industrial sector, with several important new multiservice contracts, such as IBM in Chile, Peru, Venezuela and Columbia, Citibank in Chile and Peru, and Nestle in Argentina and Chile, which contributed to an overall organic growth of 10% in that region. In Chile, our teams won two initial contracts for the management of five correctional facilities, a market with significant potential.

China saw significant growth, with strong performances across all segments including contracts signed with Haier, the Chinese leader in electrical appliances, a multiservice contract with Proctor and Gamble in Guangzhou, and the French School at the New University of Fine Arts in Peking. Following our entry into the Healthcare market, new contracts were signed with the International Peace Maternity Hospital in Shanghai and Beijing United Family Hospitals and Clinics in Peking, noteworthy accomplishments which resulted from synergies between our worldwide Healthcare teams, in particular, those in the United Kingdom, and the local teams. Activities in Singapore and Hong Kong felt the consequences of numerous client relocations to mainland China.

In Australia, we continued our strategy of selective growth, the development of the multiservice activity and growing revenues on existing sites. Of particular note, was the contract signed with Griffith Brisbane, one of the largest universities in the country.

Revenues from remote site operations, which are now included in the Food and Management Services, Rest of the World activity, grew 2% to EUR 590 million in fiscal 2002. This growth included 3% acquisition growth from the integration of Minesite Catering, a company in Western Australia acquired at the beginning of the year, organic growth of 1%, and a negative currency exchange effect of 2%.

Strong development in petroleum activities in the North Sea and Alaska was offset by the slowdown in activity on gas platforms in the Gulf of Mexico. A slowdown in growth in the second half of the fiscal year resulted from the non-renewal of the Chevron contract in Kazakhstan and the completion of two large projects in Latin America (the construction of a mine and a drilling field). However, we have been awarded food and management services contracts for the operational phase of both of the projects, which will commence in fiscal 2003. Additional significant contracts have been signed with Fluor in the United States, Camisea in Peru, Schlumberger in the Middle East and the Argyle Diamond Mine in Australia.

EBITA increased to EUR 31 million, as a return to profitability in these regions (excluding remote sites) more than offset a 13% decline in EBITA for the remote sites operations resulting from currency effects as well as strong competition and pressure on our clients to reduce costs on large projects in Africa, and finally, from the weaker margins of Minesite Catering in Australia.

Service Vouchers and Cards

Now present in 26 countries, Sodexho Pass had revenues of EUR 279 million in fiscal 2002, an increase of 12% over the prior year, net of a negative currency exchange effect of 7%. For the fourth year in a row, organic growth was in the neighborhood of 20%, as a result of improvements in the revenue mix and strong development in Europe. This growth resulted from the implementation of creative solutions, value creators for our clients. In the employee benefits area, Sodexho Pass implemented a new internet tool, E-SPI, which facilitates,

accelerates, and validates the check order process. In the area of social benefits, the research into solutions adapted to the needs of institutions led to the signing of a contract to provide 244,000 students in 550 schools in the Rhone-Alpes department in France with a "Culture card" allowing them to buy or rent school books.

The total issue volume of service vouchers and cards (face value of the service vouchers and cards multiplied by their number) reached EUR 5.9 billion compared to EUR 5.1 billion in fiscal 2001.

EBITA reached EUR 77 million in fiscal 2002, an increase of 26% compared to fiscal 2001. This growth was net of a negative foreign currency exchange impact of 4.7%. The EBITA margin increased by 3% in part as a result of the higher volumes which allowed us to better absorb our fixed production costs, and secondly from the exchange of savoir faire and experiences between countries.

Corporate Expenses

Corporate expenses, which are included in EBITA, of EUR 35 million in fiscal 2002 were down 8% from the prior year, despite the costs related to the listing of Sodexho Alliance on the New York Stock Exchange, illustrating Group management's efforts to control overhead expenses.

Financial Expense, Net

Net financial expense totaled EUR 166 million, as compared to EUR 122 million in fiscal 2001. Higher interest expense of EUR 140 million, as compared to EUR 124 million in fiscal 2001, resulted from the impact on a full year of the acquisition financing arranged for the June 2001 transactions. In fiscal 2002, financial provisions totaled EUR 26 million, of which EUR 19 million was on Sodexho Alliance shares held by the Group to be used for stock compensation programs. The related stock options are exercisable over periods ranging from one to ten years at a higher exercise price than the closing price of the share as of August 31, 2002.

Net Exceptional Income/Expense

Net exceptional income totaled EUR 55 million in fiscal 2002 and included the following principal elements: a gain of EUR 49 million euro (EUR 37 million net of tax) on the sale of the Lockhart subsidiary in the United Kingdom; a gain of EUR 37 million representing the reduction in liabilities related to stock option shares in connection with the acquisition of Sodexho Marriott Services, Inc. (this gain is partially offset by a EUR 19 million provision included in net financial expense); a provision for EUR 11 million related to a lawsuit in the United States (see "Item 8A - Legal Proceedings," below); and restructuring expenses and costs to exit certain contracts in the United Kingdom totaling EUR 11 million.

Income Taxes

Income taxes declined to EUR 136 million in fiscal 2002 from EUR 157 million in fiscal 2001 for an effective rate of 33%. Excluding permanent differences, the effective rate was comparable to the prior year effective rate of 36% as computed in the same manner.

Net Income from Equity Method Investees

Net income from equity method investees increased to EUR 4 million in fiscal 2002 from a loss of EUR 2 million in fiscal 2001, as we sold our remaining interest in Attendo Care, which had reported a loss in the prior year.

Minority Interests

Minority interests decreased from EUR 67 million in fiscal 2001 to EUR 13 million in fiscal 2002 as a result of our acquisition of Sodexho, Inc.'s remaining shares in the fourth quarter of fiscal 2001. In addition, the remaining shares of Sogeres, of which we acquired 60% in June 2001, were acquired at the end of the first quarter of fiscal 2002.

Goodwill Amortization

Goodwill amortization increased 54%, from EUR 44 million in fiscal 2001 to EUR 67 million in fiscal 2002, principally reflecting the additional goodwill generated by the acquisition of the remaining shares of Sodexho, Inc. and the acquisitions of Wood Dining Services and Sogeres during fiscal 2001.

B. Liquidity and Capital Resources

The following table sets forth certain cash flow items for fiscal 2001 through fiscal 2003:

	Year ended August 31,		
	2003	2002	2001
	(millions of euro)		
Net cash provided by operating activities..................	490	619	554
Net cash used in investing activities...........................	(278)	(315)	(1,959)
Net cash provided by (used in) financing activities..................	(202)	(70)	1,763
Net effect of exchange rate variations on cash....................	(54)	(118)	(40)
Net increase (decrease) in cash and cash equivalents..........	(44)	116	318

For fiscal 2003, net cash provided by operating activities amounted to EUR 490 million. Cash provided by operating activities totaled EUR 387 million, a level close to that for fiscal 2002, despite unfavorable currency effects of 13%, thus confirming the Group's ability to generate cash. Net cash generated by changes in operating working capital amounted to EUR 100 million in fiscal 2003, of which 40% was from the Service Vouchers and Cards business. The remaining amount resulted from organic growth in revenues and the efforts of the operating teams in the Food and Management Services business to improve receivables collection, a strategic priority for the group.

Capital expenditures, net of disposals of property, plant and equipment, amounted to EUR 226 million in fiscal 2003, representing 1.9% of revenues. Significant investments in information systems were made during the year in the

main countries where the Group operates.

Net acquisition expenditures of EUR 33 million in fiscal 2003 mainly included the acquisitions of the remaining 23.16% of Sodexho Pass do Brazil from its minority shareholders and 91.4% of the outstanding shares of Patriot Medical Technologies, Inc., a U.S. company based in Tennessee which specializes in providing engineering services to the medical sector.

Net cash used in financing activities of EUR 202 million in fiscal 2003 is explained in part by the repayment of debt of EUR 97 million and the remainder by the payment of EUR 105 million in dividends.

Net debt was reduced by EUR 162 million of which EUR 82 million resulted from the exchange rate effect on August 31, 2003. As such, net debt in our consolidated balance sheet totaled EUR 1,201 million as of August 31, 2003, and represents 52% of our shareholders' equity including minority shareholders.

Total financial debt of EUR 2,488 million as of August 31, 2003 principally comprised three bond issues in euro totaling EUR 1,605 million and U.S. dollar credit facilities totaling U.S. $718 million. The balance of outstanding debt represents leasing, term and various revolving credit facilities. As of August 31, 2003, 91% of our debt was at fixed interest rates, and our weighted average interest cost was 5.5%.

As of August 31, 2003, and in addition to available cash and cash equivalents and marketable securities (excluding restricted cash) of EUR 1,142 million, we had revolving credit facilities available of EUR 119 million to provide funds for liquidity, seasonal borrowing needs and other corporate purposes. We believe our working capital is sufficient for our present requirements. Cash on hand, internally generated cash flows and available credit will be sufficient to cover our additional cash flow requirements.

Our off balance sheet commitments totaled EUR 150 million as of August 31, 2003. Refer to note 3.20 in the consolidated financial statements.

For fiscal 2002, net cash provided by operating activities amounted to EUR 619 million, an increase of 12% over the prior year, confirming the quality of the Group's financial model. Net cash generated by changes in operating working capital amounted to EUR 209 million in fiscal 2002, as compared to EUR 154 million for fiscal 2001, with about half of the improvement being made in the Service Vouchers and Cards business and the remainder resulting from the growth in the business and the efforts by our operational teams to improve collection of accounts receivable, a strategic priority for the Group.

Capital expenditures, net of disposals of property, plant and equipment, amounted to EUR 268 million in fiscal 2002, representing 2.1% of revenues.

Net acquisition expenditures of EUR 97 million in fiscal 2002 mainly included the acquisition of Minesite Catering in Australia and the remaining 40% of the capital stock of Sogeres.

In May 2002, the Lockhart subsidiary in the United Kingdom was sold for EUR 61 million.

During fiscal 2002 we paid dividends totaling EUR 102 million. Dividend payments of EUR 15 million were paid out by our subsidiaries to third-party shareholders.

In March 2002, we issued EUR 1 billion of debt securities in the European markets. We used the net proceeds from the sale of these debt securities, approximately EUR 992,330,000, to refinance outstanding debt. The debt is issued in 5.875% notes due March 25, 2009.

Negative currency exchange effects increased net debt EUR 47 million. Despite this, net debt in our consolidated balance sheet totaled EUR 1,363 million as of August 31, 2002, a reduction of EUR 205 million from the prior year end and represents 55% of our shareholders' equity.

Total financial debt of EUR 2,693 million as of August 31, 2002 principally comprised three bond issues (EUR 305 million in bonds issued in 1996 and redeemable in 2004, EUR 300 million in bonds issued in 1999 and redeemable in 2009, and EUR 1billion in bonds issued in 2002 and redeemable in 2009) and U.S. dollar-denominated credit facilities totaling U.S. $818 million. The balance of outstanding debt represents leasing, term and revolving credit facilities by our subsidiaries. As of August 31, 2002, 92% of our debt was at fixed interest rates, and our weighted average interest cost was 5.7%.

As of August 31, 2002, and in addition to available cash and cash equivalents and marketable securities (excluding restricted cash) of EUR 1,142 million, we had revolving credit facilities available of EUR 122 million to provide funds for liquidity, seasonal borrowing needs and other corporate purposes.

C. U.S. GAAP

General

Except as described in note 1 to the consolidated financial statements, our financial statements are prepared in accordance with French GAAP, which differs in certain significant respects from U.S. GAAP, as discussed in note 5 to the consolidated financial statements. The individual differences discussed in note 5 describe the main adjustments to the French GAAP consolidated financial statements, which reflect Sodexho, Inc. (previously, Sodexho Marriott Services, Inc.) as a consolidated subsidiary in all periods presented. Under French GAAP, we consolidated Sodexho, Inc., of which we owned 47.5% as of August 31, 2000, until we acquired the remaining shares on June 20, 2001 (at which time we owned 46.9% of Sodexho, Inc.). French GAAP generally requires consolidation of greater than 40%-owned subsidiaries if there is no single more significant shareholder. Under U.S. GAAP, Sodexho, Inc. was required to be accounted for by the equity method until the date when the remaining shares were acquired. The effects of accounting for Sodexho, Inc. under the equity method in fiscal 2001 as well as the effects of other U.S. GAAP adjustments are included in note 5 to the consolidated financial statements.

New Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation, FIN No. 46, Consolidation of Variable Interest Entities, which is an interpretation of Accounting Research Bulletin, ARB No. 51 Consolidation of Financial Statements. FIN No. 46 provides additional guidance regarding how to identify variable interest entities and how an enterprise assesses its interest in the variable interest entity to determine whether an entity is required to be consolidated. The interpretation establishes that an enterprise consolidate a variable interest entity if the enterprise is the primary beneficiary of the variable interest entity. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the entity's expected losses, receives a

majority of its expected residual returns, or both, as a result of holding variable interests, which are the ownership, contractual, or other pecuniary interests in an entity. This interpretation applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. For interests in variable interest entities existing as of January 31, 2003, the guidance of FIN No. 46 will apply in the first fiscal year or interim period beginning after June 15, 2003. The adoption of FIN No. 46 did not have a significant impact in the current year and is not expected to have a significant impact in future years on our consolidated results of operations, financial position, or cash flows.

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others which is an Interpretation of FASB Statements No. 5, 57 and 107 and Recission of FASB Interpretation No. 34. FIN 45 relates to the accounting for and disclosure of guarantees and requires that upon issuance of a guarantee, the entity (i.e., the guarantor) must recognize a liability for the fair value of the obligation it assumes under that guarantee. Many guarantees are embedded in purchase or sales agreements, service contracts, joint venture agreements, or other commercial agreements and the guarantor in many such arrangements does not receive a separately identifiable upfront payment for issuing the guarantee. FIN 45 requires identical accounting for guarantees issued with or without a separately identified premium. FIN 45 covers guarantee contracts that have four specific characteristics, excludes some guarantee contracts entirely from its scope and excludes certain types of guarantees (a guarantee issued between parents and their subsidiaries) from its initial recognition and measurement but for which they are subject to its disclosure requirements. The initial recognition and initial measurement provisions applied immediately to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a significant impact in the current year and is not expected to have a significant impact in future years on our consolidated results.

EITF Issue No. 02-16, Accounting for Consideration Received from a Vendor by a Customer (Including a Reseller of the Vendor's Products), addresses how a customer of a vendor's products should account for cash consideration received from the vendor. EITF 02-16 requires that, for new arrangements entered into after December 31, 2002, cash consideration received by a customer from a vendor is presumed to be a reduction of the prices of the vendor's products or services and should be characterized as a reduction of cost of sales. However, that presumption may be overcome if the consideration is either (1) a reimbursement of costs incurred by the customer to sell the vendor's products, which should be characterized as a reduction of that cost or (2) a payment for assets or services delivered to the vendor, which should be characterized as revenue. Additionally, if consideration received by the customer for reimbursement of costs the customer incurred to sell the vendor's products is more than the actual costs incurred by the customer, then any "excess" should be treated as a reduction of the prices of the vendor's product. EITF 02-16 also requires that, for arrangements entered into after November 21, 2002, assuming the customer can reasonably estimate the rebate or refund and it is probable that the specified target will be attained, such amount should be recognized as a reduction of the cost of sales based on a systematic and rational allocation of the cash consideration to each of the underlying transactions that results in progress by the customer toward earning the rebate or refund. If attaining the milestone is not probable, then the rebate or refund should be recognized as the milestone is achieved. The adoption of EITF 02-16 did not have a significant impact on our financial statements.

D. Research and Development, Patents and Licenses, etc.

We have the patents, trademarks, trade names and licenses that are necessary for the operation of our business as we currently conduct it. Other than the Sodexho name, we do not consider our patents, trademarks, trade names and licenses to be material to the operation of our business.

E. Off-balance sheet arrangements.

Commitments made as of August 31, 2003 (millions of euro) were as follows:

	August 31, 2003				August 31,2002
	Less than 1 year	1-5 years	> 5 years	Total	Total
Financial guarantees to third parties ...	14	45	0	59	41
Performance bonds on operating leases ..	13	20	0	33	62
Client performance bonds	0	39	9	48	22
Other commitments ..	0	10	0	10	18
Total	27	114	9	150	143

With respect to the above table, there are no other significant off balance sheet commitments.

Sureties

In connection with its Service Vouchers and Cards business, Sodexho Alliance and its subsidiaries have secured cash amounts with different financial institutions, totaling EUR 18 million as of August 31, 2003. Other surety arrangements (security granted over equipment or buildings used for collateral) agreed to by Sodexho Alliance and its subsidiaries in fiscal 2003 were not significant.

Commitments to purchase or sell shares in companies

Commitments made:

o Patriot Medical Technologies, Inc.

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 U.S. $234,000 (EUR 0.2 million). As of August 31, 2003, a portion of the put option had already been exercised, in the amount of U.S. $100,000.

o Medcheque

The Group, through its Service Vouchers and Cards subsidiary in Brazil, has

entered into a put agreement with the minority shareholders of Medcheque to acquire the remaining 35% of the shares outstanding during the period from July 2004 to July 2006 for a total price of between EUR 7.7 million (minimum assuming purchase is made in July 2004) and EUR 9.8 million (maximum assuming purchase is made in August 2006).

o Abra (subsidiary of Sodexho Scandinavian Holding AB)

The Group, through its Sodexho Scandinavian Holding AB subsidiary, has entered into a put agreement with the minority shareholders of Abra (located in Norway) to acquire the remaining 15% of the shares outstanding by November 2005, at the latest, for a price based upon a profit multiple. The minimum purchase price amount is EUR 1.3 million and based on current projections, is estimated at EUR 2.3 million.

o Altys Multiservices

The Group has entered into a put agreement to acquire 1.5% of the shares of Altys Multiservice from the minority shareholders between October 1 and November 30, 2007 for a purchase price based on a multiple of the average economic profits, as defined contractually in the year of exercise with an adjustment based on the following year's results.

o Sodexho Italia

The Group has entered into a put agreement to acquire the remaining 2% of the shares of Sodexho Italia from the minority shareholders on July 1, 2010, at the latest, for a purchase price based on a multiple of the average economic profits, as defined contractually.

o Baren Menu

The Group has entered into a put agreement to acquire the remaining 5% of the shares of Baren Menu in Germany from the minority shareholders on December 31, 2005, at the latest, for a purchase price estimated at EUR 0.25 million.

o Sodexho MM Catering

The Group has entered into a put agreement to acquire the remaining 9.5% of the shares of Sodexho MM Catering from the minority shareholders at any time for a purchase price based on a multiple of the average economic profits as defined contractually, for a minimum amount of EUR 0.2 million.

Commitments received:

o Patriot Medical Technologies, Inc.

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 U.S. $2 million and five times Patriot's EBITDA, reduced by adjustments defined contractually.

o Medcheque

The minority shareholders of Medcheque have entered into a call agreement to sell the remaining shares to the Group in accordance with the terms described

above.

- Abra (subsidiary of Sodexho Scandinavian Holding AB)

The minority shareholders of Abra have entered into a call agreement to sell the remaining shares to the Group in accordance with the terms described above, in November 2005 at the latest.

- Sodexho Italia

The minority shareholder of Sodexho Italia has entered into a call agreement to sell the remaining shares to the Group in accordance with the terms described above, on July 1, 2010 at the latest.

- Altys Multiservices

The minority shareholders of Altys Multiservice have entered into a call agreement to sell the remaining shares to the Group (18.5% as of August 31, 2003) between October 1 and November 30, 2005 for a purchase price based on a multiple of the average economic profits as defined contractually in the year of exercise with an adjustment based on the following year's results.

Other commitments

Securitization

Our food service subsidiaries in the United Kingdom have securitized without recourse a portion of their client receivables for an amount of EUR 82 million as of August 31, 2003.

Commitments for stock options in Sodexho Alliance shares

The Group has the following stock option commitments:

- 2,518,517 shares with an average exercise price of U.S. $26.35 to certain employees of Sodexho, Inc., in connection with the Group's acquisition of 53% of Sodexho Marriott Services, Inc. in June 2001. These options are exercisable in the following periods:

- From August 31, 2003 through various expiration dates, the latest being August 31, 2011: 1,651,722 shares

- From August 31, 2004 through various expiration dates, the latest being August 31, 2011: 648,256 shares

- From August 31, 2005 through various expiration dates, the latest being August 31, 2011: 218,539 shares

- 5,085,838 Sodexho Alliance shares granted by the Board of Directors to Group employees in connection with various stock option plans. These options are exercisable in the following periods and at the following exercise prices:

- From January 2004 to January 2009: 744,262 shares at an exercise price of EUR 24.00

- From March 2004 to January 2005: 223,246 shares at an exercise price of EUR 39.86

- From January 2005 to January 2009: 744,263 shares at an exercise price of EUR 24.00
- From March 2005 to January 2006: 319,135 shares at an exercise price of EUR 48.42
- From January 2006 to October 2007: 432,790 shares at exercise prices of EUR 21.87 andEUR 47.00
- From January 2006 to January 2009: 744,262 shares at an exercise price of EUR 24.00
- From January 2006 to March 2008: 1,133,617 shares at an exercise price of EUR 47.00
- From January 2007 to January 2009: 744,263 shares at an exercise price of EUR 24.00

In connection with its acquisition of Sogeres, the Group committed to maintain Sogeres' stock option plan dated August 1, 1997. The Group committed to acquire the Sogeres shares from the optionees through September 2004 and has recorded a related liability in its accounts. As of August 31, 2003 this liability totals EUR 0.7 million. A second stock option plan was established for which the Group has committed to increase the capital of Sogeres for the benefit of the optionees and to buy their shares no later than February 20, 2008. In connection with this agreement, a provision of EUR 3.5 million was recorded in the consolidated financial statements as of August 31, 2003.

Operating lease commitments

Operating lease commitments are as follows:

Less than one year EUR 65 million

From one to five yearsEUR 119 million

More than five years EUR 36 million

Operating lease commitments primarily relate to central kitchens under tri-partite agreements for EUR 40 million and rent for office space and various equipment.

Retirement plan obligations

As of August 31, 2003, retirement plan obligations which were not recorded as a liability in the balance sheet because of the existence of an external fund totaled EUR 397 million. Partially offsetting this amount are external funds totaling EUR 269 million.

F. Tabular Disclosure of Contractual Obligations

Future payments on borrowings and other debt balances as of August 31, 2003 were due as follows:

	Less than one year	One to five years	More than five years	Total August 31, 2003	Total August 31, 2002
			(millions of euro)		
Bonds					
Euro	341	0	1,300	1,641	1,642
Total bonds	341	0	1,300	1,641	1,642
Bank borrowings (1)					
U.S. Dollars	157	795	1	953	1,175
Euro	(126)	(324)	62	(388)	(501)
Pounds Sterling	86	(1)	0	85	224
Other currencies	31	14	0	45	41
Total bank borrowings	148	484	63	695	939
Capital lease obligations					
U.S. Dollars	3	4		7	12
Euro	15	19	4	38	36
Other currencies		3		3	4
Total capital lease obligations	18	26	4	48	52
Other borrowings					
Euro		3	1	4	5
Other currencies	1			1	
Total other borrowings	1	3	1	5	5
Bank overdraft balances					
Euro	25			25	18
Pounds Sterling	70			70	31
Other currencies	4			4	6
Total bank overdrafts	99	0	0	99	55
Total	607	513	1,368	2,488	2,693

(1) Includes impact of swaps; see notes 3.16.2 and 3.16.3 to the consolidated financial statements for further information.

ITEM 6...DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The table below sets forth, as of November 14, 2003, the names of our directors, their dates of birth, their current positions with us, the dates of their initial appointment as directors and the expiration dates of their current terms.

Name	Date of Birth	Position	Initially Appointed	Expiration of Term
Pierre Bellon(2) (4)	1/24/1930	Chairman	11/14/1974	2004
Remi Baudin(2) (3)	10/19/1930	Vice Chairman	2/25/1983	2004
Astrid Bellon	4/16/1969	Director	7/26/1989	2004
Bernard Bellon	8/11/1935	Director	2/26/1975	2003
Francois-Xavier Bellon	9/10/1965	Director	7/26/1989	2004
Sophie Clamens	8/19/1961	Director	7/26/1989	2004
Paul Jeanbart(6)*	8/23/1939	Director	2/13/1996	2005
Charles Milhaud	2/20/1943	Director	2/04/2003	2006
Francois Perigot (1)(4)*	5/12/1926	Director	2/13/1996	2005
Edouard de Royere(2) (4)(5)*	6/26/1932	Director	2/13/1996	2005
Nathalie Szabo	1/26/1964	Director	7/26/1989	2004
H.J. Mark Tompkins (6)*	11/02/1940	Director	2/05/2002	2005

(1) Chairman of the Selection Committee.
(2) Member of the Selection Committee.
(3) Chairman of the Compensation Committee.
(4) Member of the Compensation Committee.
(5) Chairman of the Audit Committee and financial expert.
(6) Member of the Audit Committee.
* Independent director.

Pierre Bellon. Mr. Bellon founded Sodexho Alliance in 1966 and currently serves as its Chairman and Chief Executive Officer. Since 1988, he has served as Chairman and Chief Executive Officer of Bellon SA, the family holding company that controls us, and as Chairman of its Executive Board (Board of Directors) from 1996 until February 2002. At that time, he was appointed Chairman of the Bellon SA Supervisory Board. Mr. Bellon has also served as National President of the Center for Young Company Managers (formerly the Center for Young Employers) from 1968 to 1970 and President of the National Federation of Hotel and Restaurant Chains from 1972 to 1975. He was a member of the Economic and Social Council from 1969 to 1979 and has been a member of the Executive Council of the National Council of French Employers (CNPF (now known as the Medef)) since 1981. He has also served as President of the Management Improvement Association, which he founded in 1987, and as a member of the Board of the National Association of Joint-Stock Companies. Mr. Bellon was a director of L'Air Liquide (until May 2003) and is currently a director of Pinault Printemps La Redoute. Mr. Bellon and his children, Astrid Bellon, Sophie Clamens, Nathalie Szabo and Francois-Xavier Bellon, hold 54.9% of the shares in Bellon SA, which holds a 39% economic interest in Sodexho Alliance as of November 30, 2003.

Remi Baudin. Before helping Pierre Bellon to create Sodexho Alliance, Mr. Baudin took part in a number of foreign projects for the management consultant company SEMA from 1957 to 1965. He reorganized and managed its ship supply business (1965-1969), then created a joint venture with Sonatrach in the Remote Sites business and headed the two companies' joint subsidiary in Algeria (1969-1970). He successively managed the Food and Management Services France

division and started up operations in Belgium (1971-1976); the France and Africa division, overseeing start-ups in Cameroon, Nigeria, Ivory Coast, Angola, Benin, Guinea, Algeria and Libya (1977-1982); and the Food and Management Services France and Europe division (1982-1992). Mr. Baudin is also President of FERCO, the European food services confederation, which he founded in 1988. He was Chairman of the Bellon SA Supervisory Board from 1996 until February 2002 and currently serves as its Vice Chairman.

Astrid Bellon. Astrid Bellon is a member of the Executive Board of Bellon SA. Since 1999, Ms. Bellon has worked in the field of audio-visual production, and in 2001, she created the company "Les Films d'a Cote," in which she is also a shareholder. Astrid Bellon is the daughter of Pierre Bellon.

Bernard Bellon. Mr. Bellon was Director of Compagnie Hoteliere du Midi (a member of the Compagnie de Navigation Mixte Group) from 1962 to 1970 and then held various managerial positions in banking at CIC-Banque de Union Europeenne Group from 1970 to 1988. In 1988, he founded Finadvance SA, a venture capital company, and has since served as its Chairman. He also serves as a member of the Bellon SA Supervisory Board and a director of Perfin SA, CIC France and Allios Industrie. Bernard Bellon is the brother of Pierre Bellon.

Francois-Xavier Bellon. Francois-Xavier Bellon began his career in the temporary employment business as an agency manager for Adia France (1990-1991) and then for Ecco in Barcelona, Spain, where he was promoted to Sales and Marketing Director and Regional Director for Catalonia (1993-1995). He joined the Group in September 1995, initially as segment manager and later as development manager for the Healthcare segment in France. He is a member of the Executive Board of Bellon SA and since 1999 has served as the Chief Operating Officer of Sodexho Mexico. Francois-Xavier Bellon is the son of Pierre Bellon.

Sophie Clamens. From 1985 to 1987, Ms. Clamens was employed by Credit Lyonnais in New York as a mergers and acquisitions advisor for the bank's French clientele. She later worked as a sales agent for a number of leading European fashion houses, including Chanel, Valentino, Ungaro and Armani. Ms. Clamens joined the Group's finance department in 1994, initially as a development analyst and later responsible for strategic financial planning. Since 2002, she has been Manager of Strategic and Management Control. Ms. Clamens became Chairman of the Executive Board of Bellon SA in 2002. Ms. Clamens is the daughter of Pierre Bellon.

Paul Jeanbart. Mr. Jeanbart is a co-founder, partner and, since 1967, the Chief Executive Officer of the Rolaco Group. He also serves as Chairman of Oryx Merchant Bank Limited, Chairman of the Board of Directors of Hotels Intercontinental Geneve, Managing Director of Rolaco Holding SA and is a member of the Semiramis Hotel Co., Delta International Bank, NASCO Insurance Group, and XL Capital Limited Boards of Directors and the Club Mediterranee SA Supervisory Board. Mr. Jeanbart is a citizen of Canada.

Charles Milhaud. Mr. Milhaud joined the Caisse d'Epargne in 1964. In 1983, he became Directeur General of the Caisse d'Epargne des Bouches du Rhone et de la Corse as well as a Member of the Supervisory Board of the Centre National des Caisses d'Epargne (CENCEP). In 1995, he was named Vice President of the Board of Directors of the Caisse Centrale des Caisses d'Epargne. When the two entities merged in 1999 to form the Caisse Nationale des Caisses d'Epargne (CNCE), Mr. Milhaud was named President of the Directoire, a position he currently holds. Mr. Milhaud is also Vice President of the Board of Directors of Eulia Compagnie

Financiere, President of the Supervisory Councils of Credit Foncier de France and Financiere Oceor, Member of the Supervisory Board of CNP Assurance, and member of the Boards of Directors of Sopassure and the Banque Internationale des Mascareignes. He is a permanent representative of the CNCE to the Boards of the Banque de Tahiti, Holassure, the Banque des Iles Saint-Pierre-et-Miquelon, the Banque des Antilles Francaises, Credit Saint-Pierrais, the Banque de la Reunion, the and the Banque de Nouvelle-Caledonie.

Francois Perigot. After serving as Chairman and Chief Executive Officer of Thibaud Gibbs et Compagnie from 1968 to 1970, Mr. Perigot successively held the positions of Chairman and Chief Executive Officer Unilever Spain and Chairman and Chief Executive Officer Unilever France (1971-1986). From 1986 to 1998, he was Chairman of Compagnie du Platre, and from 1988 to 1998 he served as Vice Chairman and later Chairman of UNICE, the European union of employer and industry confederations. Mr. Perigot has also served as a president of the Enterprise Institute (1983-1986), a president of the National Council of French Employers (1986-1994), a member of the Executive Committee of the International Chamber of Commerce (1987-1989) and a member of the Economic and Social Council (1989-1999). He has been President of the Franco-Dutch Chamber of Commerce since 1996, President of MEDEF International since 1997 and President of the International Employers Organisation since June 2001. He currently serves as a director of Astra Calve, Lever, CDC Participations and Sabate-Diosos.

Edouard de Royere. After working as an authorized representative with power of attorney for Credit Lyonnais and as Director of Union Immobiliere et Financiere, Mr. de Royere joined L'Air Liquide in 1966. He successively held the positions of General Secretary to senior management and Investor Relations Manager, and in 1967 he was appointed Company Secretary. Mr. de Royere joined the L'Air Liquide Board of Directors in 1971. He became Assistant Managing Director in 1979, then Vice Chairman and Assistant Managing Director, and finally Vice Chairman in 1982. From 1985 to 1995, he served as Chairman and Chief Executive Officer of L'Air Liquide. In 1997, he was named Honorary Chairman of L'Air Liquide and since 2001 he has served as a member of its Supervisory Board. He is also Chairman of the National Association of Joint-Stock Companies. Mr. de Royere served as a director of Danone and L'Oreal through May 2003 and currently serves as a director of Michelin.

Nathalie Szabo. Ms. Szabo began her career in 1987 in the restaurant industry. She served as an account manager for Scott Traiteur from 1989 and later became sales director of Pavillon Royal. She joined the Group in March 1996 as sales director of Sodexho Prestige in France. She became sector manager in 1999 and effective September 2003 she is the General Manager of Sodexho Prestige. Ms. Szabo is a member of the Executive Board of Bellon SA. Ms. Szabo is the daughter of Pierre Bellon.

H.J. Mark Tompkins. Mr. Tompkins began his career in investment banking in 1964 with Samuel Montagu & Company (now HSBC). From 1965 to 1971, he was a management consultant with Booz Allen & Hamilton working on assignments in the U.K., continental Europe and the U.S. He joined the Slater Walker Securities group in 1972 and was named Chief Executive Officer of Compagnie Financiere Haussmann, a publicly traded company in France. From 1975 through 1987, he became active in property development, investment and management in both residential and commercial sectors. In 1987 and subsequent years, his focus moved to private equity and capital development in publicly traded entities, notably in the healthcare, pharmaceutical, retail and distribution, leisure, tourism and manufacturing sectors. He has significant experience in mergers and acquisitions, start-ups, initial public offerings, and private and public debt offerings. He currently serves as director of Partners Bio Projects

International Ltd and Calcitech Ltd. Mr. Tompkins is a British citizen.

Executive Officers

The table below sets forth, as of November 14, 2003, the names and dates of birth of our executive officers, which include Pierre Bellon as Chairman and Chief Executive Officer and the members of our Executive Committee. Albert George, who had been appointed President and Chief Operating Officer of Sodexho Alliance on February 20, 2000, resigned his position for health reasons in June 2003. In accordance with the recommendation of the selection committee, the Board of Directors nominated Jean-Michel Dhenain and Michel Landel as Presidents and Chief Operating Officers of Sodexho Alliance. In addition, two new members of the Executive Committee were named: Richard Macedonia, Chief Operating Officer, North America, and Vincent Hillenmeyer, Senior Vice President, Strategic Planning and Control.

Name	Date of Birth	Position
Pierre Bellon	1/24/1930	Chairman and Chief Executive Officer
Elisabeth Carpentier	5/08/1954	Senior Vice President, Human Resources
Jean-Michel Dhenain	12/10/1944	Group President and Chief Operating Officer Chief Executive Officer, Continental Europe
Sian Herbert-Jones	9/13/1960	Chief Financial Officer
Vincent Hillenmeyer	7/16/1966	Senior Vice President, Strategic Planning and Control
Michel Landel	11/07/1951	Group President and Chief Operating Officer Chief Executive Officer, North America
Richard Macedonia	9/21/1943	Chief Operating Officer, North America
Clodine Pincemin	7/20/1952	Senior Vice President, Corporate Communications

Elisabeth Carpentier. Ms. Carpentier joined us in 1981 as Director of Hiring and Placement. From 1994 to 1998, she served as Human Resources Director for our Food and Management Services subsidiary in France. In January 1998, she was appointed Senior Vice President, Corporate Human Resources. Ms. Carpentier has both a law diploma and a post-graduate degree in human resources management.

Jean-Michel Dhenain. Mr. Dhenain joined us in 1972, where he served as Regional Director, Departmental Director and then Sales Director. He then headed the Hospitals-Clinics division before moving to our French healthcare subsidiary in 1987 and our French schools-universities subsidiary in 1991. Mr. Dhenain is currently our Chief Executive Officer - Continental Europe. He has supervised operations in Continental Europe since April 30, 1998 and is the Market Champion for Healthcare. Mr. Dhenain has a degree in law and economics from the University of Dijon, France.

Sian Herbert-Jones. Ms. Herbert-Jones began her career in Corporate Finance with Price Waterhouse in London and Paris from 1982 to 1995, where she served, notably, as Director in the Mergers and Acquisitions department. While at Price Waterhouse, she played an active role in our acquisition of Gardner Merchant in 1995. Ms. Herbert-Jones joined us in 1995 and was appointed Treasurer in 1998, Deputy Chief Financial Officer in October 2000 and Chief Financial Officer in November 2001. She holds an M.A. in History from Oxford University and is a Chartered Accountant in England and Wales.

Vincent Hillenmeyer. Mr. Hillenmeyer is the Senior Vice President for Strategic Planning and Control. He began his career in 1988 with Arthur Andersen. After joining Sodexho in 1991, he served as Remote Sites Finance Manager in Cameroon, then in 1993 as District Manager for Sodexho France, Business and Industry, in 1995 as Financial Analyst for Sodexho France, Business and Industry, and in 1998 as Paris-Ile de France Regional Director, Large Accounts. In 2000, he was appointed Vice President, Special Projects, Information Systems, for Sodexho, Inc. In October 2001, he was promoted to Corporate Vice President Planning. He earned a degree in 1988 from HEC, one of France's leading business schools.

Michel Landel. Mr. Landel has served as President, Chief Executive Officer, and a member of the Board of Directors of Sodexho, Inc. (formerly SMS) since May 1999. Mr. Landel joined us in 1984 as Chief Operating Manager for Eastern Africa, Libya and Algeria. Mr. Landel served as President and Chief Executive Officer of Sodexho North America (known now as Sodexho, Inc.) from 1989 to 1998. He was appointed an Executive Vice President of Sodexho, Inc. in 1998 and was also appointed President, Corporate Services, in June 1998. Mr. Landel currently serves as Chief Executive Officer - North America, and is the Market Champion for Business and Industry (and prior to April 22, 2002, for Education). He has a degree in business and management from the European Business School.

Richard "Dick" Macedonia. Mr. Macedonia is the Executive Vice President and Chief Operating Officer of Sodexho, Inc. Before being named COO in 2003, Mr. Macedonia most recently was the president for Sodexho's Health Care Services Division. Mr. Macedonia began his career with the company in 1968 as a unit manager in the Campus Services Division, and joined Health Care Services in 1975. He has held positions throughout the divisions including district manager, vice president of marketing and sales, and vice president of business development. Mr. Macedonia is a graduate of Indiana University of Pennsylvania, Indiana, PA. He is a corporate member of both the Health Insights Foundation and the Hospital Research and Development Institute.

Clodine Pincemin. Ms. Pincemin joined us in 1974. She was later appointed to head public relations and then communications for France. Since 1991, she has held the position of Senior Vice President, Corporate Communications. Ms. Pincemin has a degree in French literature.

B. Compensation

During fiscal 2003, members of our Board of Directors received total fees, compensation and benefits from Sodexho Alliance and related companies as follows.

Name	Sodexho Alliance Board meeting fees	Bellon S.A.(3)	Total(1)
		(in euro)	
Pierre Bellon	12,800	330,480	646,372(1)
Remi Baudin	12,800	1,500	14,300
Astrid Bellon	6,400	53,400	59,800
Bernard Bellon	6,400	1,500	7,900
Francois-Xavier Bellon	6,400	112,900	256,773
Sophie Clamens	12,800	122,000	134,800
Patrice Douce(2)	3,200	32,260	35,460
Paul Jeanbart	12,800		12,800
Charles Milhaud	3,200		3,200
Francois Perigot	12,800		12,800
Edouard de Roy	12,800		12,800
Nathalie Szabo	6,400	67,900	106,608
H.J. Mark Tompkins	9,600		9,600

(1) Amount includes Board meeting attendance fees paid by Sodexho Alliance as well as all compensation and benefits of any kind paid with respect to responsibilities with Bellon SA and Sodexho Alliance.
(2) Director until February 4, 2003.
(3) Compensation with respect to responsibilities with Bellon SA.

As a matter of French law, until January 24, 2001 we could not grant options to non-employee members of our Board of Directors.

Compensation for our executives is comprised of a fixed salary, a performance bonus tied to the achievement of annual objectives, and benefits. For fiscal 2003, the aggregate compensation received by members of the Executive Committee was EUR 2,682,582, which included base pay totaling EUR 1,848,557 and variable pay totaling EUR 834,025. The members of the Executive Committee also received options to purchase a total of 254,000 Sodexho Alliance shares. On June 13, 2003, the membership of our Executive Committee changed, and the Committee now has two more members than it did at the end of fiscal 2002. For this reason, the total compensation figure described above may not be comparable to the aggregate figure for fiscal 2002. During fiscal 2003, the total compensation paid to the Group Chief Operating Officers was as follows:

Group Chief Operating Officer	Fixed compensation	Variable compensation	Total
		(amounts in euro)	
Jean-Michel Dhenain	284,564	149,732	434,296
Michel Landel	538,598	309,075	847,673
Albert George	252,671	158,795	411,466

The table below provides certain information regarding the options to

purchase our common shares granted to executive officers.

Date of Plan	Amount(1)	Exercise Price per Share	Expiration Date
January 24, 2001	25,767	EUR 48.42	January 23, 2006
January 11, 2002	46,500	EUR 47.00	January 10, 2007
January 11, 2002	60,000	EUR 47.00	January 10, 2008
January 27, 2003	254,000	EUR 24.00	January 28, 2009

(1) These amounts have been adjusted retroactively, where appropriate, to reflect the four-for-one stock split effective March 7, 2001 and the rights offering on July 4, 2001.

During fiscal 2003, we and our subsidiaries recorded total charges of EUR 25 million for pension, retirement and similar benefits and, as of August 31, 2003, we and our subsidiaries had accrued a total of EUR 147 million for these items.

C. Board Practices

Our Board of Directors has 12 members. Directors are chosen for their ability to take the interests of all shareholders into account and for their recognized expertise in areas that are strategic to the company, such as international expansion, innovation, finances or services. The Board of Directors periodically reviews operations, on-going business and special transactions, defines corporate strategy, closes our interim and annual accounts, prepares shareholders' meetings, designates corporate officers to implement strategy and monitors the quality of information provided to shareholders and financial markets.

Senior executives of the company regularly inform the Board of the resources used in their respective businesses to implement the strategy defined by the Executive Committee and approved by the Board. The Board is assisted in its strategic thinking by three ad hoc committees:

- the Selection Committee for Board members and corporate officers, which examines the Chairman's proposals, prepares recommendations to present to the Board and keeps an up-to-date, confidential list of potential replacements in case a position becomes vacant;

- the Compensation Committee, which proposes compensation packages for corporate officers and senior executives, including stock option plans; and

- the Audit Committee, which prepares and monitors internal accounting procedures, supervises the application of Group financial, legal and accounting rules, proposes changes to accounting procedures, recommends the appointment and fees of our external auditors and approves their audit and non-audit services, communicates with our internal and external auditors and reports on such matters to the rest of our Board.

The Selection committee is chaired by Francois Perigot with the assistance of Pierre Bellon, Edouard de Royere and Remi Baudin. The Selection committee met three times during fiscal 2003 and reviewed matters including succession planning for Mr. Bellon, the replacement of Mr. George for health reasons, the assessment of directors' independence, and the replacement of an outgoing director whose term was expiring.

The Compensation committee is chaired by Remi Baudin, who is also Vice Chairman of the Board of Directors, with the assistance of Pierre Bellon and two non-executive directors, Francois Perigot and Edouard de Royere. The Compensation committee met three times during fiscal 2003 and reviewed matters including the feasibility of a new Employee Savings plan, new stock option plans and revised rules, management retirement benefit plans and related comparisons between France, the United Kingdom, and the United States, and compensation packages for the Chairman and Chief Executive Officer and the President and Chief Operating Officer.

The Audit Committee is chaired by Edouard de Royere, a financial expert, with the assistance of Paul Jeanbart and Mark Thompkins. Ms. Clamens and Mr. Baudin are invited to attend the Audit Committee meetings but are not members. Our external auditors report to the Audit Committee twice annually on their activity and planned actions. The Chairman of the Audit Committee reports to the Board after each Audit Committee meeting. The Audit Committee met three times during fiscal 2003 to discuss various issues which included the recruitment of a senior executive to head the internal audit department, the company's accounting for retirement plan obligations, the impact of International Financial Reporting Standards (IFRS) on the consolidated financial statements and management's initiative to evaluate internal control procedures in order to comply with the recent French "Loi sur la Securite Financiere" and rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act in the United States. The Audit Committee also approved the Internal Audit plan for fiscal 2004 and implemented a procedure for its pre-approval of audit and non-audit engagements of the company's external auditors and their affiliates.

The Board of Directors met nine times during fiscal 2003.

There are no service contract termination benefits for Directors as such benefits are forbidden by French law.

D. Employees and Labor Relations

As of August 31, 2003, we had 308,385 employees worldwide. The table below shows the number of employees of our company and our subsidiaries by geographic zone as of August 31, 2003, 2002 and 2001.

	August 31,		
	2003	2002	2001
North America..................	119,009	117,689	120,147
United Kingdom and Ireland.....	51,843	61,835	63,142
France.........................	30,465	30,477	29,051
Rest of Europe.................	49,897	49,438	47,467
Rest of the World..............	57,171	55,702	53,662
Total Number of Employees......	308,385	315,141	313,469

Following is a breakdown of our employees by category as of August 31, 2003, 2002 and 2001.

	August 31, 2003	2002	2001
Executives and middle management....................	6,137	5,759	7,065
Establishment managers and supervisory staff.........	33,173	25,614	32,677
Front line service staff and other...............	269,075	283,768	273,727
Total Number of Employees......	308,385	315,141	313,469

Some of our employees are members of local or national trade unions, and, consequently, we have entered into various collective bargaining agreements. Pursuant to regulations in certain countries across Europe, especially in France and Belgium, various committees which represent employees meet on a regular basis. These committees are informed about and consulted on pertinent employee matters. Salaries, working conditions and other employment matters are negotiated with trade unions every year. It is our practice to renew or replace our various employee and collective bargaining agreements as and when they expire, and we are not aware of any material agreements which are not expected to be satisfactorily renewed or replaced in a timely manner. A relatively small number of our employees worldwide are subject to collective bargaining agreements, and we do not believe that a failure to renew our collective bargaining agreements on terms similar to those we have now would have a material adverse effect on our financial condition or results of operations.

Because we are a service company, though, we are highly dependent upon the availability of hourly or part-time wage and skilled employees. Thus, severe shortages in the supply of these employees at times of high demand for their services could materially impact our operating performance.

In France, recent legislation on working week reduction to 35 hours led to wide-ranging discussions with employee representatives on issues such as workplace organization, time management, flexibility and customer service.

We have not experienced any significant work disruptions or conflicts in the last few years, and we consider our relationship with our employees to be satisfactory.

E. Share Ownership

Collectively, members of the Board of Directors and the Executive Committee directly own less than 0.5% of our outstanding capital stock. Pierre Bellon and his children, Astrid Bellon, Francois-Xavier Bellon, Sophie Clamens and Nathalie Szabo, collectively own an economic interest of approximately 55% (representing a voting interest of approximately 71%) in Bellon SA, which, as of November 30, 2003, owns an economic interest of approximately 39% (representing a voting interest of approximately 39%) in us. This difference between voting and economic interests in Sodexho is attributable to the fact that a double voting right is granted to all holders of fully-paid registered shares when those shares have been registered for more than four years in the name of the same shareholder, as described in "Item 10.B. Additional Information--Memorandum and Articles of Association." As of November 30, 2003, 5,269,400 of the shares owned by Bellon SA had double voting rights. Bernard Bellon, who is Pierre Bellon's

brother, and members of his family own, as of November 30, 2003, an economic interest of approximately 13% in Bellon SA. The table below sets forth share ownership information, exclusive of these indirect interests, for these individuals and for Bellon SA as of November 30, 2003.

Name	Number of Shares Owned
Bellon SA..................................	61,286,881(1)
Pierre Bellon..............................	*(2)
Remi Baudin................................	*(2)
Astrid Bellon..............................	*(2)
Bernard Bellon.............................	*(2)
Francois-Xavier Bellon.....................	*(2)
Sophie Clamens.............................	*(2)
Patrice Douce..............................	*(2)
Paul Jeanbart..............................	*(2)
Francois Perigot...........................	*(2)
Edouard de Royere..........................	*(2)
Nathalie Szabo.............................	*(2)
H.J. Mark Tompkins.........................	*(2)
Elisabeth Carpentier.......................	*(2)
Jean-Michael Dhenain.......................	*(2)
Albert George..............................	*(2)
Sian Herbert-Jones.........................	*(2)
Michel Landel..............................	*(2)
Clodine Pincemin...........................	*(2)

(1) Pierre Bellon owns .01% of the outstanding shares of Bellon SA; Astrid Bellon, Francois-Xavier Bellon, Sophie Clamens and Nathalie Szabo each own an economic interest of 13.72% in Bellon SA. At any ordinary shareholders' meeting of Bellon SA, Pierre Bellon has a voting interest of 62.7% and each of Astrid Bellon, Francois-Xavier Bellon, Sophie Clamens and Nathalie Szabo has a voting interest of 2%. At any extraordinary meeting, Pierre Bellon has a voting interest of .01% and each of Astrid Bellon, Francois-Xavier Bellon, Sophie Clamens and Nathalie Szabo has a voting interest of 17.7%. Bernard Bellon owns an economic interest of 21% in Bellon SA. At any ordinary shareholders' meeting, Bernard Bellon has a voting interest of 16.5%. At any extraordinary meeting, Bernard Bellon has a voting interest of 2.8%. Bellon SA is the beneficial owner of approximately 39% of our outstanding shares.

(2) Indicates beneficial ownership of less than 1% of the shares outstanding.

As of November 30, 2003, members of our Board of Directors and Executive Committee held, in the aggregate, options to acquire 596,814 shares of our common stock. The following table lists the amounts, exercises prices and expiration dates of options held by these individuals at that time.

Name	Amount(1)	Exercise Price per Share	Expiration Date
Pierre Bellon	-	-	-
Remi Baudin(2)	-	-	-
Astrid Bellon(2)	-	-	-
Bernard Bellon(2)	-	-	-
Francois-Xavier Bellon(2)	-	-	-
Sophie Clamens(2)	-	-	-
Patrice Douce(2)	-	-	-
Paul Jeanbart(2)	-	-	-
Francois Perigot(2)	-	-	-
Edouard de Royere(2)	-	-	-
Nathalie Szabo(2)	-	-	-
H.J. Mark Tompkins	-	-	-
Elisabeth Carpentier	19,631	EUR 38.17	December 10, 2003
	4,172	EUR 39.86	January 24, 2005
	5,317	EUR 48.42	January 23, 2006
	10,000	EUR 47.00	January 10, 2007
	35,000	EUR 24.00	January 26, 2009
Jean-Michel Dhenain	8,221	EUR 39.86	January 24, 2005
	10,225	EUR 48.42	January 23, 2006
	15,000	EUR 47.00	January 10, 2007
	43,000	EUR 24.00	January 26, 2009
Albert George	16,359	EUR 27.11	December 12, 2003
	10,306	EUR 39.86	January 24, 2005
	14,314	EUR 48.42	January 23, 2006
	31,000	EUR 47.00	January 10, 2007
	80,000	EUR 24.00	January 26, 2009
Sian Herbert-Jones	6,135	EUR 39.86	January 24, 2005
	6,135	EUR 48.42	January 23, 2006
	15,000	EUR 47.00	January 10, 2007
	40,000	EUR 24.00	January 26, 2009
Vincent Hillenmeyer	982	EUR 39.86	January 24, 2005
	4,000	EUR 47.00	January 10, 2008
	17,000	EUR 24.00	January 26, 2009
Michel Landel	16,359	EUR 27.11	December 12, 2003
	30,000	EUR 47.00	January 10, 2008
	60,000	EUR 24.00	January 26, 2009
Dick Macedonia	26,000	EUR 47.00	January 10, 2008
	40,000	EUR 24.00	January 26, 2009
Clodine Pincemin	3,068	EUR 39.86	January 24, 2005
	4,090	EUR 48.42	January 23, 2006
	6,500	EUR 47.00	January 10, 2007
	19,000	EUR 24.00	January 26, 2009
Total	596,814		

(1) These numbers have been adjusted retroactively, where appropriate, to reflect the four-for-one stock split effective March 7, 2001 and the rights offering on July 4, 2001.

(2) Until January 24, 2001, we were not permitted under French law to grant options to members of the Board of Directors (other than the Chairman of the Board) who are not employees.

Our Board of Directors recently approved four Sodexho Alliance Stock Option

Plans. The granting of stock options to our employees under these plans had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 21, 2000. The first three plans were approved on January 27, 2003 and the fourth plan on June 12, 2003. The exercise price for these plans is EUR 24.00. Options under these plans will be valid from the grant date through January 26, 2009. Under the January 27, 2003 plans, 25% of the options granted vest and become exercisable on each anniversary of the grant date, such that the entire option is vested after four years on January 27, 2007. Options under these plans, totaling 2,917,800, were granted to 1,344 employees. Under the June 12, 2003 plan, 25% of the options granted vest and become exercisable on January 27 of each year such that the entire option is vested on January 27, 2007. Options under this plan, totaling 84,660, were granted to nine employees. No options granted under these plans may be transferred by the optionholder other than by will or the laws of intestacy. Stock options under these four plans are governed by the laws of France (specifically, articles L225.177 through L225.185 of the French Code de Commerce). Any Sodexho Alliance shares or Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

Our Board of Directors approved two Sodexho Alliance Stock Option Plans prior to December 31, 2002. The granting of stock options to our employees under these plans had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 21, 2000. The first plan was approved on September 17, 2002. Options under this plan, totaling 12,000, were granted to a single newly hired employee and will be valid from September 17, 2002 to March 31, 2008. The options vest in full on April 1, 2006 and may be exercised between April 1, 2006 and March 31, 2008 with an exercise price of EUR 47.00. The second plan was approved on October 10, 2002. Options under this plan, totaling 3,220, were granted to 46 employees and will be valid from October 10, 2002 to October 10, 2007. The options vest in full on October 10, 2006 and may be exercised between October 10, 2006 and October 10, 2007 with an exercise price of EUR 21.87. For both plans, if an optionholder terminates his or her employment due to disability, retires or dies, his or her options will vest in proportion to the time he or she has been continuously employed by us. For both plans, no options granted under this plan may be transferred by the optionholder other than by will or the laws of intestacy. Stock options granted under both plans are governed by the laws of France (specifically, articles L225.177 through L225.185 of the French Code de Commerce). Any Sodexho Alliance shares or Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

Our Board of Directors approved the Sodexho Alliance Stock Option Plan A on January 11, 2002. The granting of stock options to our employees under this plan had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 21, 2000. Options under this plan will be valid from January 11, 2002 to January 10, 2007 and will be granted to our employees primarily located outside of the United States. The options granted under Plan A vest in full four years from the date of grant and may be exercised between January 11, 2006 and January 10, 2007. If an optionholder terminates his or her employment due to disability, retires or dies, his or her options will vest in proportion to the time he or she has been continuously employed by us. No options granted under this plan may be transferred by the optionholder other than by will or the laws of intestacy. Approximately 475 of our employees were granted options pursuant to this plan. Plan A stock options are governed by the laws of France (specifically, articles L225.177 through L225.185 of the French Code de Commerce).

On January 11, 2002, our Board of Directors approved the Sodexho Alliance Stock Option Plan B, under which options will be granted to employees of Sodexho, Inc. and its affiliates. The issuance of shares to our employees under this plan had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 21, 2000. Options in Sodexho Alliance shares granted under this plan vest in full four years from the date of grant, and optionholders may exercise the options they receive during the two-year period between January 11, 2006 and January 10, 2008. If an optionholder terminates his or her employment due to disability, retires or dies, his or her options will vest in proportion to the time he or she has been continuously employed by us. No options granted under this plan may be transferred by the option holder other than by will or the laws of intestacy. Approximately 772 of our employees were granted options pursuant to this plan. Any Sodexho Alliance shares or Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

At the Extraordinary Shareholders' Meeting of February 13, 1996, our shareholders renewed the authorization given to our Board at the February 23, 1993 Extraordinary Shareholders' Meeting to issue shares to our employees through an employee stock ownership plan, the InterEnterprise Mutual Fund. Pursuant to this authorization, our Board of Directors has approved a separate stock ownership plan in each of the years between 1996 and 1999, inclusive, funded through market repurchases of our shares on the Paris Bourse. In December 2000, the Board authorized new issuances of shares to employees participating in our international employee stock ownership plan.

In addition, in 2001 we created the Sodexho Alliance International Employee Stock Ownership Plan in which approximately 150,000 employees of Sodexho Alliance and Sodexho Alliance's majority-owned subsidiaries were eligible to participate. This plan was open for cash contributions from April 23, 2001 until September 19, 2001, and it offered two options to subscribe for shares. The first, called Alliance Plus, allowed employees to invest up to 2.5% of their gross annual pay. Each cash contribution was matched on a non-recourse basis by an unaffiliated bank with an additional contribution equal to nine times the employee's investment to be used towards the purchase of additional shares. If the stock appreciates in value during the term of the plan, the employees repay the matching funds to the bank and a portion of the stock's appreciation from the proceeds of the sale of the stock. If the stock depreciates in value, the employee is not responsible for reimbursing the bank for its loss. Under the second plan, called Alliance Classic, employees were given the option of investing up to 25% of their gross annual compensation towards the purchase of shares at a discount to fair market value. The two plans were not mutually exclusive, and employees could select a combination of the two for investment. Under both plans, employee investments cannot be withdrawn without penalty for a period of five years from the time of investment. The employee in both cases benefited from a discount of up to 20% of the fair market price of our shares at the time the shares were issued. On October 18, 2001, the Board of Directors issued 1,385,848 shares with a par value of EUR 4 each and an issue price of EUR 44.10 per share for United States employees and EUR 41.51 for other employees.

As of August 31, 2003, 34,599 employees held 2,691,809 Sodexho Alliance shares, representing 1.7% of the outstanding shares of Sodexho Alliance.

Certain members of management have been granted options to purchase Sodexho Alliance shares repurchased by us in the open market or funded through future issuances. Options in Sodexho Alliance shares granted under our plans vest in full five years from the date of grant, except for the December 11, 1997 grant, which vests in full six years after the date of grant and Plan A and Plan B, which vest in full four years after the date of grant. In general, if an

optionholder dies during his or her employment, such person's options may be exercised up to six months after his or her death to the extent vested at the time of his or her death or termination. Options granted pursuant to Board resolutions of January 25, 2000, April 4, 2000 and February 21, 2001, however, provide that if an optionee dies, such person's vested options may be exercised between March 1, 2005 and January 23, 2006 only (and not in the six months following such person's death). No option may be transferred by the optionee other than by will or the laws of intestacy. In any event, all options must be exercised within one year of vesting.

Prior to our acquisition of the portion of SMS we did not already own in June 2001, approximately 6.4 million SMS stock options had been granted under the SMS 1998 Stock Incentive Plan, 2.7 million of which were vested and 3.7 million of which were unvested at the time of the acquisition. Under the terms of this plan, SMS stock options were granted to officers and key employees at an exercise price not less than the market price of SMS stock on the date of grant. Most of the SMS options vest 25% each year during the four years following the date of grant and expire ten years following the date of grant. If an SMS optionholder dies during his or her employment, all such person's SMS stock options become fully vested and may be exercised up to one year after his or her death to the extent vested at the time of his or her death. In the event an SMS employee is terminated, such employee's SMS stock options may be exercised up to three months after the date of his or her termination to the extent vested at the time of his or her termination. No SMS stock option may be transferred by the optionee other than by will or the laws of intestacy.

Certain members of SMS's management have received restricted stock units in connection with their employment. These units vest 25% each year during the four years following the date of grant. If a holder of restricted stock units dies during his or her employment, all such person's restricted stock units become fully vested. If an employee is terminated, such employee's unvested restricted stock units will be forfeited. No restricted stock units may be transferred by their holder prior to conversion, as described in the following paragraph.

Pursuant to the terms of our agreement to acquire the 53% of Sodexho, Inc. we did not already own, vested SMS stock options were cancelled in exchange for a cash payment equal to the option spread (i.e., the difference between the exercise price and the tender price offered by us for SMS shares), and unvested SMS stock options were converted into the right to indirectly purchase our ordinary shares or our ADSs. The unvested restricted stock units were converted into the right to indirectly receive, pursuant to their vesting, our ordinary shares or our ADSs. Any Sodexho Alliance shares or Sodexho Alliance shares underlying any American Depositary Shares to be delivered to SMS optionholders will be purchased by Sodexho Alliance on the open market.

As of November 30, 2003, 2,962 members of management held 7,511,997 options to purchase Sodexho Alliance shares and 124,203 restricted stock units, representing 4.9% of the shares of Sodexho Alliance on a fully-diluted basis.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Below is a diagram illustrating our ownership as of November 30, 2003.

There are two shareholders known to management to beneficially own 5% or more of our shares: Bellon SA, a French company controlled by our chairman, Pierre Bellon, and members of his family, and the Caisse de Depots et Consignations, a French bank. As of November 30, 2003, Bellon SA beneficially owned 61,286,881 shares of the company (representing approximately 39% of our outstanding share capital and 39% of the voting power relating to our outstanding share capital), and Pierre Bellon and his children beneficially owned approximately 55% of the outstanding capital stock of Bellon SA. As of the same date, Bernard Bellon and his children owned 13% of the outstanding capital stock of Bellon SA, and certain others owned 14% of such stock. As of the same date, Sofinsod, one of our wholly-owned subsidiaries, held an indirect interest of approximately 5% in Sodexho Alliance, SA through its interest of approximately 14% in Bellon SA. Sofinsod also has an indirect interest of approximately 2% in Sodexho Alliance, SA through its wholly owned subsidiary, Societe Financiere de la Porte Verte, which in turn owns approximately 4% of Bellon SA. Pursuant to French law, these shares owned by our subsidiaries are not entitled to any vote. Excluding the Bellon SA shares owned by our subsidiaries, as of November 30, 2003, Pierre Bellon and his children owned 67% of the outstanding capital stock of Bellon SA, Bernard Bellon and his children owned 16% of such stock and certain others owned 17% of such stock.

To management's knowledge, there have not been any significant changes in Bellon SA's ownership interest in the company during the past three years, and there are no agreements granting Bellon SA or any other shareholder different voting rights from our other shareholders. As disclosed in "Item 10.B. Additional Information -- Memorandum and Articles of Association Relating to Shares," a double voting right is granted to all holders of fully-paid registered shares when those shares have been registered for more than four years in the name of the same shareholder.

As of August 31, 2003, our shares were owned by approximately 78,153 shareholders, including approximately 34,600 people acquiring their shares through our various employee stock ownership plans (together, our employees own approximately 2% of our outstanding capital stock). French citizens hold approximately 8% of our shares, while French institutional investors hold approximately 29% of our shares. To the best of our knowledge and after having made reasonable inquiries, as of August 31, 2003, foreign shareholders held approximately 21% of our shares. This figure may not be entirely accurate because we can obtain only limited information regarding the beneficial owners of our shares.

We are not directly or indirectly owned or controlled by another corporation, other than Bellon SA, or by any government or other natural or legal person.

B. Related Party Transactions

To management's knowledge, since September 1, 2001 no loans have been made by Sodexho Alliance, Bellon SA or any of their subsidiaries to or for the benefit of key Sodexho Alliance management personnel or close members of their families, Bellon SA, any of its affiliates or any other enterprise in which a substantial interest in the voting power is owned, directly or indirectly, by any of the foregoing persons or entities.

In the course of our business, we have occasionally entered into contracts with certain of our affiliates. The material terms of those material affiliate contracts which are currently in force or have been in force during some portion

of the last three fiscal years are described below.

On December 30, 1991, we entered into an agreement with Felix Bellon SA, the predecessor of Bellon SA, for consulting and advisory services. The contract renews automatically every year, but it can be terminated on three months' notice by either party. Amounts invoiced under this contract totaled EUR 2.4 million in fiscal 2003.

In 2001, we sold our entire holding in Corrections Corporation of America ("CCA"), which resulted in an exceptional loss of EUR 3 million, net of tax benefits. We sold our CCA shares to Latonia, an entity that is indirectly controlled by Paul Jeanbart, one of our directors. We sold the CCA shares for EUR 8,718,339. Pursuant to the terms of the purchase and sale agreement, Latonia paid us an additional amount totaling EUR 28.6 million upon resale of some of the shares in May 2003.

In fiscal 2003, Mr. Douce invoiced Sodexho Alliance EUR 32,260 for services rendered as a speaker at Sodexho Management Institute.

In fiscal 2003, Sodexho Alliance acquired the remaining 23.16% of the shares of Sodexho Pass do Brazil from its minority shareholders, including Bellon S.A., for EUR 27.6 million.

A list of Sodexho Alliance, SA's intercompany loans, advances, deposits and guarantees outstanding as of August 31, 2003 is provided below.

	Loans and advances given and outstanding as of August 31, 2003	Amount of deposits and guarantees given and outstanding as of August 31, 2003	Largest amount outstanding as of each of August 31, 2003, 2002 and 2001	Total Amount outstanding as of August31, 2003
	(thousands of euro)			
French subsidiaries				
Astilbe	8,643	0	8,643	8,643
Societe Marseillaise de restauration et de services	0	383	395	383
SPI	81	13,690	16,087	13,771
Holding Sogeres	7, 595	0	7,595	7,595
Sogeres	0	947	9,989	947
STNB	0	708	708	708
Other	4	0	4,151	4
Foreign subsidiaries				
Primary Management Aldershot	0	22,715	22,715	22,715
Universal Sodexho Partnership	12	16,942	18,827	16,954
Harmondsworth	0	25,989	28,664	25,989
Sodexho Argentina	6	930	936	936

Universal Sodexho Scotland	0	13,262	13,262	13,262
Saha	11	895	2,280	906
Sodexho Luxembourg	5	273	173	278
Sakhalin Support Services	0	693	693	693
Rugby Hospitality 2003	0	2,057	2,057	2,057
Kelvin Catering Ltd	1	1,586	1,587	1,587
Universal Services Europe Ltd	0	543	543	543
Universal Sodexho Norway	0	1,916	1,916	1,916
Sodexho Maroc	0	186	186	186
Sodexho Gabon	332	0	332	332
PT Universal Ogden Indonesia	0	458	458	458
Other	217	6	14,153	223
Foreign affiliates				
Serco Sodexho Defense Services	0	5,584	5,616	5,584
TOTAL	16,907	109,763	161,966	126,670

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

See Item 17.

Legal Proceedings

In connection with the expansion of its activities in Lebanon, Sodexho Pass International SA (SPI), a subsidiary of Sodexho Alliance SA, acquired 40% of the share capital of Sodexho Pass Lebanon. Prior to the commencement of operating activities, SPI exerted its right to cancel the agreement due to a misunderstanding with one of the partners, the manager of Sodexho Pass Lebanon. The Lebanon partners claimed damages from SPI. On February 20, 2003, the Arbitration Court ordered Sodexho Pass International to pay U.S. $2 million. This ruling was final and not subject to appeal. The amount paid was expensed as an exceptional item during fiscal 2003.

On March 8, 2001, ten current and former employees of Sodexho, Inc., the majority of whom had worked for Marriott Management Services, Inc. (later known as Sodexho Marriott Services, Inc., and now known as Sodexho, Inc.) filed a lawsuit against Sodexho, Inc. in the U.S. District Court for the District of Columbia, 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 and ending on July 1, 2001,as well as reimbursement of plaintiffs' costs and attorneys' fees. Sodexho, Inc. 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.'s requests for permission to appeal this decision have been denied by both the U.S. Court of Appeals for the District of Columbia and the U.S. Supreme Court. The parties to this litigation are currently engaged in discovery and recently, the trial judge scheduled a trial date for late 2004. A resolution of plaintiffs' claims in their favor could have a material effect on our net income. In fiscal 2002, a provision of U.S. $10 million (EUR 11 million at the fiscal 2002 exchange rate and EUR 9 million as of August 31, 2003) was recorded for defense costs anticipated in connection with this lawsuit.

We are involved in a number of other legal proceedings incidental to the normal conduct of our business. We do not believe that liabilities relating to the these proceedings are likely to be, in the aggregate, material to our business or our consolidated financial position.

Dividends

We have paid dividends in each year since 1976. The payment and amount of dividends depend on our earnings and financial condition and other factors that our Board of Directors deem relevant. Dividends are recommended by our Board and are then voted on by the shareholders at the shareholders' ordinary general meeting. We have paid dividends in euro since 2000.

Dividends paid to holders of American Depositary Shares (ADSs) or Sodexho Alliance shares who are not residents of France will generally be subject to French withholding tax at a rate of 25%. Holders who qualify for benefits under an applicable tax treaty and who comply with the procedures for claiming treaty benefits may be entitled to a reduced rate of withholding tax and, in certain circumstances, an additional payment (net of withholding tax) representing all or part of the French avoir fiscal, or tax credit, under conditions provided for in the relevant treaty and under French law. Investors in our ADSs or shares should consult their own advisors with respect to the tax consequences of an investment in ADSs or shares. For further information regarding taxation of dividends, see "Item 10.E. Additional Information -- Taxation."

The table below sets forth, for the fiscal years indicated, the amount of dividends declared per share excluding the French avoir fiscal and the amount of dividends declared per share including the French avoir fiscal (before deduction of applicable French withholding tax). Dividends declared for a given fiscal year are paid in the following fiscal year.

Year(1)(2)	Dividend per share excluding avoir fiscal		Dividend per share including avoir fiscal		Shares outstanding at the date of payment	Total dividend paid
	(eur)	$	(eur)	$		(eur) (in millions)
2000...........	0.56	0.50	0.84	0.75	134,350,116	75.2
2001...........	0.56	0.51	0.84	0.77	158,945,502	89.0
2002...........	0.61	0.60	0.915	0.90	159,021,416	97.0
2003...........	0.61	0.67	0.915	1.00	159,021,565	97.0

(1) Pursuant to French law, payment of dividends must be made within nine months following the end of the fiscal year to which they relate.
(2) The amounts listed in this table have been adjusted retroactively, where appropriate, to reflect the four-for-one stock split effective March 7, 2001.

B. Significant Changes

Not applicable.

ITEM 9. THE OFFER AND LISTING

A. Listing Details

The principal trading market for our common shares, which have a par value of EUR 4 each, is Euronext Paris (formerly the Paris Bourse), where they have been listed since 1983. Since 1998, our shares have been included in the CAC 40 benchmark index of Euronext Paris. The table below sets forth, for the periods indicated, the reported high and low prices and average daily trading volume (in shares) for our outstanding shares on Euronext Paris and its predecessor, the Paris Bourse (all amounts have been restated to reflect stock splits). In accordance with the relevant European Union regulations, as of January 1, 1999 all shares listed on Euronext Paris are traded in euro so, for ease of reference, the table below indicates the euro prices converted at the 2 p.m. European Central Bank euro-franc exchange rate at the end of fiscal 1997 and 1998.

Our Articles of Association (statuts) provide that fully-paid common shares may be held in either registered or bearer form at the option of the shareholders.

Prior to the listing of our shares on the New York Stock Exchange, effective April 3, 2002, there was no public trading market in the United States for our shares or the ADSs. ADS trading volumes from September 1, 2002 through November 30, 2003 were less than 2,000 shares per day.

Fiscal Year	High EUR	Low EUR	Average daily trading volume (in shares)
1999........................	48.96	32.51	274,315
2000........................	47.74	31.38	317,693
2001........................	60.10	41.13	397,875
2002........................	55.75	25.10	574,261
2003........................	30.83	17.95	683,519

Fiscal Year	High (euro)	Low (euro)	Average daily trading volume (in shares)
2002			
First Quarter............	55.75	41.65	647,348

Second Quarter............	48.42	42.65	439,090
Third Quarter.............	48.62	36.63	616,982
Fourth Quarter............	38.40	25.10	593,625
2003	(euro)	(euro)	
First Quarter.............	30.83	18.11	744,885
Second Quarter............	26.85	20.20	579,734
Third Quarter.............	22.56	17.95	761,906
Fourth Quarter............	27.36	20.88	646,377
June......................	24.49	20.88	780,738
July......................	25.70	23.06	667,345
August....................	27.36	24.46	489,051
September.................	28.15	23.00	701,225
October...................	24.50	21.68	759,908
November	24.75	22.26	910,273

B. Plan of Distribution

Not Applicable.

C. Markets

See Item 9.A.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10.ADDITIONAL INFORMATION

A. Share Capital

We have only one class of share capital, consisting of common shares with a nominal value of EUR 4 per share. All of our outstanding shares are fully-paid. Our Articles of Association (statuts) provide that fully-paid shares may be held in registered or bearer form at the option of the shareholder. The most recent survey on August 31, 2003 found 42,440 identified holders of bearer shares and 1,114 holders of registered shares.

In accordance with French law concerning dematerialization of securities, the ownership rights of shareholders are represented not by share certificates but rather by book entries. We maintain a share account with Societe Generale for all shares in registered form, which is administered by Societe Generale. In addition, we maintain separate accounts in the name of each shareholder either directly or, at a shareholder's request, through the shareholder's accredited intermediary. Each shareholder account shows the name of the holder, the number of shares held and, in the case of shares held through an accredited intermediary, the fact that the shares are held through such intermediary. Societe Generale, as a matter of course, issues confirmation to each registered

shareholder as to shares registered in the shareholder's account, but these confirmations are not documents of title.

Shares held in bearer form are held on the shareholder's behalf in an account maintained by an accredited intermediary and are registered in an account which the accredited intermediary maintains with Societe Generale. That account is separate from our share account with Societe Generale. Each accredited intermediary maintains a record of shares held through it and will issue certificates of registration for the shares it holds. Shares held in bearer form may only be transferred through accredited intermediaries and Societe Generale. Our statuts permit us to request that Societe Generale provide us at any time with the identity of the holders of our shares or other securities granting immediate or future voting rights held in bearer form and with the number of shares or other securities so held.

Our statuts do not contain any restrictions relating to the transfer of shares. Under French law, registered shares must be converted into bearer form before being traded on Euronext Paris and, accordingly, must be registered in an account maintained by an accredited intermediary. A shareholder may initiate a transfer by giving instructions to the relevant accredited intermediary. A fee or commission is payable to the broker involved in the transaction, regardless of whether the transaction occurs within or outside of France. No registration tariff is normally payable in France unless a transfer instrument has been executed in France.

As of August 31 and November 30, 2003, our share capital, as authorized in our statuts, was EUR 636,086,260, represented by 159,021,565 shares. Our Board updates our statuts regularly to take into account increases in share capital due to the issuance of shares in connection with employee stock ownership plans, the exercise of stock options, warrants and subscription rights and any conversion of convertible bonds. Between August 31, 200