

Sodexo announces strong growth in Fiscal 2006 results

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

Paris, November 16, 2006. SODEXHO ALLIANCE (Euronext Paris FR0000121220 - SW / NYSE:SDX). The Sodexo Alliance Board of Directors met under the chairmanship of Pierre Bellon to close the accounts for the year ended August 31, 2006.

Key financial performance indicators

IFRS accounting standards ⁽¹⁾ In million euros	Fiscal year ended August 31,		% change (current exchange rates)	% change (constant exchange rates) ⁽³⁾
	2006	2005		

Income statement highlights

Revenue	12,798	11,693	9.4 %	6.6 %
Organic growth	+6.4 %	+4.3 %		
Operating profit	605	450	34.4 %	30.8 %
Profit attributable to equity holders of the parent	323	212	51.8 %	47.3 %
Earnings per share (in euros)	2.07	1.36	51.7 %	47.2 %

Financial structure highlights

Net cash provided by operating activities	488	677
Reduction of net debt ⁽²⁾	(234)	(412)
Borrowings / operating cash flow (years)	4.2	4.3

(1) The transition to IFRS standards is effective on September 1, 2005 ; Fiscal 2005 and Fiscal 2006 figures are stated in IFRS standards

(2) Borrowings less cash and cash equivalents, Restricted cash and financial assets related to the Service Vouchers and Cards activity

(3) Currency impact is now calculated by applying the average exchange rate for the prior year to the current fiscal year figures

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

Acceleration in organic growth

During Fiscal 2006, Sodexo Alliance revenues increased by more than €1.1 billion as compared to the prior year, to reach €12.8 billion. The Group continued to implement its strategy and organic growth accelerated from a rate of 4.3% in Fiscal 2005 to 6.4% in Fiscal 2006.

In Food and Facilities Management services, Sodexo made substantial progress on several fronts:

- Organic growth accelerated in North America (5.0%) and in Continental Europe (5.2%), driven in particular by development rates in Healthcare and Seniors
- The United Kingdom and Ireland returned to positive organic growth for the first time in three years, posting an increase of 4.8%
- Organic revenue growth was a robust 16.1% in the Rest of the World (Remote Sites, Latin America and Asia-Australia).

The Service Vouchers and Cards activity also continued its dynamic organic growth recording a rise of 15.9%.

Growth in operating profit

Operating profit of €605 million progressed year on year by 34.4%. Fiscal 2006 operating profit includes:

- a gain of €21 million on the sale of Spirit Cruises, a U.S.-based river and harbor cruise company¹;
- the €7 million favorable impact of a provision release related to resolution of the U.S. litigation (for which a provision of €62 million was recorded in Fiscal 2005)

Excluding these two items, operating profit rose by 12.6% at current exchange rates and by 9.7% at constant exchange rates, thereby exceeding the objectives set by Sodexo at the start of Fiscal 2006. On the same basis, operating margin increased to 4.5%, compared with 4.4% in Fiscal 2005.

Operating profit in the **Service Vouchers and Cards** activity was €113 million. This represents particularly strong growth at 45.1%, or 38.8% (excluding currency impact) and reflects a marked rise in issue volume², especially in Latin America. As costs in this activity are largely fixed, operating margin improved to reach 30.4%, or 1.8% of issue volume.

Highlights of operating profit performance in the different operating entities in **Food and Facilities Management** are as follows:

- In **North America**, operating profit reached €277 million (up 73.6%). Excluding the impact of the U.S. litigation and the capital gain on the divestment of Spirit Cruises, the increase was 7.9%, at constant exchange rates.

This performance reflects:

- strong improvement in the Education segment following deployment of new-generation technology tools to assist productivity management on sites;
- continued success of the extensive Facilities Management offer in Healthcare and Seniors.

In Fiscal 2006 Sodexo also continued to invest in human resources (marketing, client retention and diversity), information systems and internal control.

- In **Continental Europe**, operating difficulties in Turkey and the start-up costs of major new contracts weighed on operating profit. However, substantial productivity gains and ongoing efficiency improvements resulted in operating profit growth of 2.0% to reach €203 million.

¹ This company, acquired in September 1992, achieved 44M€ revenues in Fiscal 2006.

² Face value multiplied by the number of vouchers and cards issued

- Sodexo returned to positive growth in the **United Kingdom and in Ireland**. Operating profit rose 158.7% to reach 42 million euros reflecting the effectiveness of measures adopted in recent years: renegotiating contracts, tighter site management rigor and control and success in driving comparable unit revenue growth.
- In the **Rest of the World**, operating profit was €28 million, a 22.1% decrease year on year largely explained by two factors:
 - an asset write-down related to the Sydney Olympic Stadium contract in Australia;
 - the expiration of a major logistics contract in the Middle East.

Nevertheless, and thanks to its leading positions in Asia, Remote Sites and Latin America, Sodexo was able to strengthen its development rate, capitalizing on increased demand driven by high worldwide raw material prices.

Substantial rise in Group net income

At €323 million, net income rose to 51.8%, or 47.3% excluding currency impact.

This substantial increase was principally the result of:

- strong growth in operating profit, including the gain on the sale of Spirit Cruises;
- a positive contribution from associates, reflecting the ramp-up effect of public-private contracts signed in previous periods.

The effective tax rate was 34.1% and financial expense decreased by 4 million euros.

Proposed dividend increase

To demonstrate its confidence in the outlook for the Group, the Board of Directors will ask the shareholders to approve a 27% dividend increase, at 0.95 euro per share, at the next Annual General Shareholders Meeting of January 30, 2007.

Robust financial model: net cash provided by operating activities

Net cash provided by operating activities totalled €488 million in Fiscal 2006. This included a payment of €58 million in connection with the resolution of the U.S. litigation, which had been fully provided for in the financial statements for Fiscal 2005. The Group also sought to earn a higher return on the cash surplus generated by the Service Vouchers and Cards activity choosing to substantially increase the volume of long-term cash investments.

The cash generated from operations was used to finance:

- capital expenditures and client investments of €207 million, representing 1.61% of revenues;
- acquisitions for €51 million, primarily 55% of the Paris Lido, 100% of Ticket Total (no.3 in the Service Vouchers and Cards market in Argentina), and the buyout of the minority investors in Altys (France).

Net cash flow used in investing activities of 210 million euros also includes the proceeds from the sale of Spirit Cruises and existing cash in companies acquired.

Net cash used in financing activities includes the dividend payment of 127 million euros and a reduction in borrowings of 48 million euros.

Outlook for Fiscal 2007

Based on the progress achieved in Fiscal 2006, the Board approved the following objectives for Fiscal 2007:

- organic revenue growth of between 6% and 7%;
- around 10% operating profit growth (excluding changes in exchange rates and consolidation scope), or approximately 635 million euros.

These objectives quantify the impact of the implementation of the Group's strategic imperatives and action plans prepared by each of our 28,300 sites.

Confirmation of medium term objectives

Sodexo's market potential is vast, and is estimated to be worth more than €710 billion: €250 billion for Foodservices, €400 billion for Facilities Management and more than €60 billion for Service Vouchers and Cards.

Sodexo has a number of key competitive advantages to exploit this potential:

- an unrivalled global network covering over 80% of the world's population and over 92% of world Gross Domestic Product;
- world leader status in its principal markets, especially in those segments offering the greatest growth potential: Healthcare, Seniors, Education and Defense;
- since its creation the Group has chosen to be a growth company, based on:
 - its values of service spirit, team spirit and spirit of progress
 - its high ethics: transparency, loyalty, and respect for people.

The philosophy and values that the Group has fostered since its creation is a binding force that helps guide the 332,000 employees of the Group in their daily work.

- a highly effective financial model, based on activities requiring substantial human resources but little financial capital (net capital expenditures average less than 2% of revenues), leading to the generation of recurring cash to fund growth, repay debt and remunerate shareholders;
- a stable share ownership structure, which guarantees the Group's independence and provides continuity in its long-term strategy.

"By enhancing its market leadership in Foodservices and accelerating our expansion in Facilities Management and Service Vouchers and Cards, Sodexo intends to become the premier global outsourcing expert in quality of life services. Our objective is to achieve a medium-term average annual organic revenue growth target of 7%," concluded Michel Landel.

◆ Analyst and journalist meeting

SODEXHO ALLIANCE will hold briefings today for analysts and journalists at Espace Etoile-St-Honoré, 23, rue Balzac, 75008 Paris. The analysts' briefing will be webcast and will begin at 8:30 am (Paris time). A slideshow presentation will be available on the following link www.sodexo.com, under the "latest news" section, beginning at 7:00 a.m. The audio proceedings of the analysts' briefing also can be followed by dialing + 33 1 72 26 01 65. An audio recording will be available by dialing: +33 (0)1 72 28 01 49 and entering the code : 187595#.

◆ Financial communications calendar

- First quarter revenue for Fiscal 2007: press release published on January 10, 2007, followed by a conference call.
- Annual General Meeting of Shareholders for Fiscal 2006: January 30, 2007 at 16:30 (Paris time). The meeting will take place at the Palais des Congrès (Porte Maillot, Paris).

The above dates are provided for information only and are subject to change.

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

◆ About Sodexo Alliance

SODEXHO ALLIANCE, founded in 1966 by Pierre Bellon, is the leading global provider of Food and Facilities Management services, with more than 332,000 employees on 28,300 sites in 80 countries. For Fiscal 2006, which closed August 31, 2006, SODEXHO ALLIANCE had sales of 12.8 billion euro. Listed on Euronext Paris and on the New York Stock Exchange, the Group's current market capitalization is 6.9 billion euro.

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