

Sodexo Group

Management Review

February 29, 2004

1. FINANCIAL PERFORMANCE FOR THE FIRST HALF OF 2003-2004

	Six months ended February 28, 2003	Six months ended February 29, 2004	% change excluding currency effects	Currency effects	% change
Revenues	6,198	5,890	+3.9%	-8.4%	-4.5%
EBITA	294	281	+4.0%	-8.7%	-4.7%
Group net income	86	97	+24.3%	-11.6%	+12.7%

- **The organic growth in revenues, at constant consolidation scope and excluding currency effects, was 3.9%**, compared to 2.9% for the prior comparable period.
- The euro's sharp appreciation against other currencies, notably the US dollar, led to a translation effect in the consolidated accounts which reduced reported revenues by 8.4%, EBITA by 8.7% and Group net income by 11.6%. However, unlike exporting companies, our subsidiaries' revenues and expenses are denominated in the same currency. Consequently, currency fluctuations do not create operating risks for Sodexo.
- Excluding currency effects:
 - **EBITA increased by 4%, which represents an EBITA margin of 4.8%**
 - **Group net income after goodwill amortization increased by 24.3%.**

Food and Management Services

North America

The organic growth in revenues in the first-half of 2003/2004 was 4.1%, as compared to 3.3% for the prior comparable period. With organic growth rates of 5.8% in the Education segment and 4% in the Healthcare and Seniors segments, the Sodexo teams continue to implement the development strategy of the Group – client retention, increasing sales on existing sites and the conversion of self-operated accounts. In the Business and Industry segment, revenues decreased by 0.7%, mainly due to the impact of delocalizations and the absence, as of today, of any sign of increased employment in large businesses. The Defense segment benefited from one additional month of activity in the 55 sites for the US Marine Corps as compared to the prior comparable period. From the beginning, this contract has required great flexibility from our local teams to adapt to the client's frequently changing needs.

During the first-half of 2003/2004, we achieved commercial successes such as Novartis Research Center, Harley Davidson, the World Bank Conference Center, the public schools of Saint-Louis, the University of Concordia (Wisconsin) and the University of Tulsa (Oklahoma). In Canada, Sodexo signed the largest contract ever in the public healthcare sector with the Vancouver Coastal Health and Providence Authority. This 10-year contract valued at CAD 405 million (EUR 240 million) includes 22 hospital and retirement home sites.

EBITA was EUR 146 million, with an EBITA margin of 5.5% after taking into account the additional amortization costs in connection with our investments in information systems implemented during the prior fiscal year.

Continental Europe

Organic growth of revenues in the first-half of 2003/2004 was 3.3%, as compared to 4.9% in the prior comparable period, mainly due to:

- a difficult economic environment in the Business and Industry segment in France and in Northern Europe, and
- a more competitive market for public contracts in Scandinavia and in Southern Europe.

In this environment, the Business and Industry segment achieved an organic growth of 2.6%. The organic growth in the Education and Healthcare and Senior segments was 3.6% and 4.9%, respectively.

A number of major contracts were signed during the first-half of 2003/2004, such as Alcatel Space and Generali in France, Sambacy Group in Turkey and Gävle in Sweden, the school systems of Frankfurt, Milan, Sienna and Budapest, the University of Utrecht, 20 centers for the disabled in Fejer, Hungary and the Fremap clinic in Spain.

EBITA was EUR 87 million with an EBITA margin of 4.6%. The first half results reflected difficulties and subsequent reorganization in the meals delivery activity in Education, in metropolitan Paris, which weighed temporarily on the operating margin.

United Kingdom and Ireland

Revenues decreased by 7.2% due to the termination of loss-making contracts in the Business and Industry and Healthcare segments during the prior comparable period.

In recent months, two long-term contracts, each valued at EUR 19 million annually, were signed: the Colchester Garrison in the Defense segment and the Havering Hospital in Healthcare.

EBITA was EUR 5 million, or an EBITA margin of 0.8%. These results do not include EBITA profit of EUR 6 million earned by our British teams, for the Rugby World Cup in Australia.

The action plan begun 18 months ago to return the subsidiary to profitability is well underway, and is focused on the following: better control over costs on each site, the renegotiation or termination of unprofitable contracts, the training and motivation of the teams, and reductions in overhead costs. Progress made in this area is partially offset by increases in pension fund contributions.

The team in the United Kingdom and Ireland, is reinforcing the action plans in order to restore profitability to a level in line with that of the rest of the Group.

Rest of the world

In Sodexo's other regions, organic growth was 21.5%, of which almost half resulted from the hospitality package contract for the Rugby World Cup in Australia.

During the first half, we experienced commercial successes in the Remote Sites segment with the signing of new contracts such as Chiyoda in the Sakhalin Islands, the residential complex in Al Khor for Qatargas and the extension of Shell Rabi in Gabon. The Food and Management Services activity continues its development in China with the signature of contracts such as Shanghai Automotive Industry Corporation and Saint Gobain. In Latin America, growth accelerated as illustrated by numerous commercial successes such as Siemens and Anglo-American in Brazil and Leonisa in Colombia, and margins are improving.

EBITA was EUR 19 million with an EBITA margin of 3.4%.

Service Vouchers and Cards

Revenues in the Service Vouchers and Cards activity include client and affiliate commissions and investment income. Although organic growth for this activity was only 4.1% for the first half, issue volume of EUR 2.5 billion represents an approximate 10% increase as compared to the prior comparable period, excluding currency effects.

The general decline in interest rates, notably in Latin America, and the labor force reductions in businesses, mainly in Germany, have held back growth.

In Great Britain, revenues for the first half of the prior year included exceptional billings to the Home Office pertaining to the shift from paper vouchers to smart cards. This new system improves the reliability and the security of the service while reducing the client's distribution costs.

New contracts continue to be signed, for example, the Aldi Group in Belgium, a savings bank in Romania, Philip Morris and Unilever in Hungary, Adecco in France and Ipostel in Venezuela.

EBITA was EUR 37 million with a margin of 29% as compared to 33% in the prior comparable period. This change resulted mainly from lower interest rates on financial investments.

Net financial expense

The net financial expense of EUR 65 million improved by EUR 17 million due to the reduction in debt-related expenses.

Net exceptional expense

Net exceptional expense of EUR 11 million mainly includes:

- the provision recorded for the sale of the subsidiary Medcheque in Brazil for EUR 6 million, and
- provisions totaling EUR 4 million related to stock options and losses on treasury shares acquired in connection with existing stock option plans.

Income tax

The effective tax rate decreased from 41% for the first-half 2002/2003 to 35% for the first-half 2003/2004, mainly as a result of realizing tax deductions on items which were previously considered non-deductible.

Group net income

Group net income after amortization of goodwill was EUR 97 million, an increase of 24.3% excluding currency effects.

2. OUTLOOK

In November 2003, the Board of Directors fixed minimum objectives for 2003-2004. Today, based on current information, we confirm :

- organic growth in revenues of at least 3.1%,
- EBITA of approximately EUR 550 million,
- Group net income, excluding exceptional items, of EUR 170 million.

These figures are based on the exchange rates used in the fiscal year 2002-2003 financial statements.

Based on current exchange rates, we estimate that the variations in exchange rates will have a negative impact at around 7% to 8% on Group Net Income for the fiscal year.

The Board of Directors has expressed its confidence in the Group's future because Sodexho's strengths are numerous:

- Sodexho's values: service spirit, team spirit, and spirit of progress;
- Sodexho's mission: "Improve the quality of daily life", which gives meaning to all of our team members;
- Sodexho's worldwide network and its presence in 76 countries;
- Sodexho's strong competitive positions;
- Sodexho's excellent financial model.

SODEXHO Group

Consolidated Financial Statements

February 29, 2004

1. CONSOLIDATED INCOME STATEMENT

<i>(in millions of euro)</i>	6 months ended February 29, 2004	%	Change	6 months ended February 28, 2003	Year ended August 31, 2003
REVENUES	5,890	100%	(4.5%)	6,168	11,687
Other income	21			21	37
Purchases	(2,048)	(34.8%)		(2,121)	(3,955)
Employee costs	(2,695)	(45.8%)		(2,874)	(5,519)
Other external charges	(743)	(12.6%)		(779)	(1,482)
Taxes, other than income taxes	(41)	(0.7%)		(36)	(79)
Depreciation and increase in provisions	(103)	(1.7%)		(85)	(175)
EARNINGS BEFORE INTEREST, EXCEPTIONAL ITEMS, INCOME TAXES, INCOME FROM EQUITY METHOD INVESTEES, GOODWILL AMORTIZATION AND MINORITY INTERESTS (EBITA)	281	4.8%	(4.7%)	294	514
Financial expense, net	(65)	(1.1%)	20.8%	(82)	(152)
INCOME BEFORE EXCEPTIONAL ITEMS, INCOME TAXES, INCOME FROM EQUITY METHOD INVESTEEES, GOODWILL AMORTIZATION AND MINORITY INTERESTS	216	3.7%	1.5%	212	362
Exceptional (expense) income, net	(11)			(7)	1
Income taxes	(71)	1.2%	14.7%	(83)	(134)
INCOME BEFORE INCOME FROM EQUITY METHOD INVESTEES, GOODWILL AMORTIZATION AND MINORITY INTERESTS	134	2.3%	9.6%	122	229
Net income (loss) from equity method investees	1			2	4
Goodwill amortization	(29)	(0.5%)	9.1%	(32)	(62)
GROUP NET INCOME BEFORE MINORITY INTERESTS	106	1.8%	15.6%	92	171
Minority interests in net income of consolidated subsidiaries	9	0.2%		6	9
GROUP NET INCOME	97	1.6%	12.7%	86	162
EARNINGS PER SHARE (in euro)	0.61		12.7%	0.54	1.02
DILUTED EARNINGS PER SHARE (in euro)	0.59		12.1%	0.53	1.00

2. CONSOLIDATED BALANCE SHEET

<i>ASSETS (in millions of euro)</i>	February 29, 2004	August 31, 2003	February 28, 2003
FIXED AND INTANGIBLE ASSETS, NET			
Goodwill	1,402	1,492	1,505
Intangible assets	2,486	2,686	2,732
Property, plant and equipment	365	379	358
Financial investments	62	64	78
Equity method investees	19	19	9
• Total fixed and intangible assets, net	4,334	4,640	4,682
CURRENT AND OTHER ASSETS			
Inventories	172	170	178
Accounts receivable, net	1,589	1,383	1,603
Prepaid expenses, other receivables and other assets	565	637	612
Marketable securities	632	542	544
Restricted cash	150	166	152
Cash	394	570	593
• Total current and other assets	3,502	3,468	3,682
TOTAL ASSETS	7,836	8,108	8,364
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>(in millions of euro)</i>			
SHAREHOLDERS' EQUITY			
Common stock	636	636	636
Additional paid in capital	1,186	1,186	1,191
Consolidated reserves	251	427	365
• Total Shareholders' Equity	2,073	2,249	2,192
MINORITY INTERESTS	70	66	68
PROVISIONS FOR CONTINGENCIES AND LOSSES	86	89	85
LIABILITIES			
Borrowings	2,370	2,488	2,616
Accounts payable	1,041	1,128	1,245
Vouchers payable	852	794	763
Other liabilities	1,344	1,294	1,395
• Total Liabilities	5,607	5,704	6,019
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,836	8,108	8,364

3. CONSOLIDATED CASH FLOW STATEMENT

<i>(in millions of euro)</i>	6 months ended February 29, 2004	6 months ended February 28, 2003	Year ended August 31, 2003
OPERATING ACTIVITIES			
Consolidated net income before income (loss) from equity method investees and minority interests	104	90	167
• Non cash items			
Depreciation and provisions	124	96	215
Deferred taxes	(4)	6	(9)
Losses (gains) on disposal and other, net of tax	(2)	15	14
• Cash provided by operating activities	222	207	387
Dividends received from equity method investees	3	1	3
Change in working capital from operating activities	(188)	(86)	100
• Net cash provided by operating activities	37	122	490
INVESTING ACTIVITIES			
Tangible and intangible fixed assets	(81)	(121)	(241)
Fixed asset disposals	3	9	15
Acquisitions, net of dispositions, of consolidated subsidiaries	(14)	(4)	(33)
Change in working capital from investing activities	3	(7)	(19)
• Net cash used in investing activities	(89)	(123)	(278)
FINANCING ACTIVITIES			
Dividends paid to parent company shareholders	(97)	(98)	(94)
Dividends paid to minority shareholders of consolidated companies	(3)	(6)	(11)
Increase in shareholders' equity	0	0	0
Proceeds from borrowings	126	130	104
Repayment of borrowings	(133)	(90)	(178)
Change in working capital from financing activities	89	89	(23)
• Net cash provided by (used in) financing activities	(18)	25	(202)
INCREASE / (DECREASE) IN NET CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES	(70)	24	10
Cash, cash equivalents, and marketable securities, as of beginning of period	1,278	1,307	1,307
Add: provisions as of beginning of period	8	23	23
Cash, cash equivalents, and marketable securities, as of end of period	1,176	1,289	1,278
Add: provisions as of end of period	1	12	8
Net effect of exchange rates on cash	39	53	54
INCREASE / (DECREASE) IN NET CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES	(70)	24	10

Notes to the consolidated Financial Statements

I SIGNIFICANT EVENTS

The Group, through its subsidiary Sodexo Pass Do Brazil, decided to sell the Medcheque subsidiary. Medcheque was formed in 1997 and specialized in the marketing and selling of healthcare cards in Brazil. A provision of EUR 6 million (EUR 3.6 million after taxes), relating to the loss on this disposal, was recorded as an exceptional expense during the period ended February 29, 2004. The disposal occurred on March 11, 2004.

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

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

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

There have been no changes in accounting methods during the 6 months ended February 29, 2004.

Amounts in tables are expressed in millions of euro.

1. Revenue recognition

In the Food and Management Services, revenue is recognized in the period in which services are provided pursuant to the terms of the contractual relationships with clients.

Revenues for the service voucher segment include commissions received from customers, commissions received from affiliates and investment income realized on the nominal value of the vouchers during the period from their issuance through redemption.

2. Retirement benefits

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

3. Stock options

Sodexo Alliance has acquired treasury shares in connection with its stock option plans which are recorded in marketable securities. A liability (and corresponding expense) is recorded if at the closing date of the period, the acquisition cost of the shares acquired is superior to the exercise price of the options awarded.

If the number of treasury shares acquired is less than the number of options awarded, a liability (and corresponding expense) is recorded for the difference between the market price at the end of the period and the exercise price, multiplied by the number of remaining shares to be acquired for the applicable tranche of stock options.

4. Exceptional Items

Exceptional income and expenses are recorded for significant items which, due to their unusual character and non-recurring nature, are not considered to be inherent to the operating activities of the Group. In general, such costs relate to gains or losses on asset dispositions, restructuring costs, exceptional depreciation of fixed and intangible assets, or provisions or expenses recorded in connection with stock option plans.

5. Earnings per share

Earnings per share and diluted earnings per share are calculated using methods recommended by Advice No. 27 of the *Ordre des Experts Comptables*.

Earnings per share is calculated by dividing group net income by the average number of shares outstanding during the year.

In the calculation of diluted earnings per share, the denominator is increased by the number of potential shares outstanding, and the numerator is increased by the net-of-tax interest income (calculated at the *Taux Moyen Mensuel du Marché Monétaire Euro*) on the proceeds which would have resulted from the issuance of these shares.

The potential shares included in diluted earnings per share relate to stock options awarded but not yet exercised and warrants outstanding from the 1996 bond issuance, which are exercisable prior to June 2004.

6. Foreign currency transactions and translation

For subsidiaries located in countries with stable currencies, assets and liabilities are translated using the end of period exchange rate.

Income statement and cash flow statement line items are translated using the average exchange rate for the year, calculated using monthly averages.

The monthly average exchange rates are calculated as the average of the end of month rate and the rate for the prior month.

Exchange rates used are obtained from *Euronext Paris* and other international financial markets.

The difference between the translation of the income statement at average and period end rates, as well as the difference between the opening balance sheet accounts as translated at beginning and end of period rates is recorded in shareholders' equity.

Foreign exchange gains and losses resulting from intragroup transactions in foreign currencies during the year are recorded in the income statement.

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

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

The inclusion of monetary corrections imposed by local regulators on these subsidiaries in the consolidated financial statements had no impact on the income statement.

Foreign currency translation differences for these subsidiaries are recorded in the currency translation adjustment account in shareholders' equity in the same manner as for the subsidiaries in countries with stable currencies.

For subsidiaries located in highly inflationary countries (Venezuela), differences between net income translated at average and period-end rates are included in net financial expense.

Translation differences on monetary assets and liabilities denominated in foreign currencies are recorded in the income statement. Translation differences related to a monetary component of a net investment in a company within a consolidated foreign subsidiary are recorded in consolidated shareholders' equity until the sale or liquidation of the net investment.

7. Valuation of assets and liabilities

Assets and liabilities of acquired companies have been recorded at their respective fair values effective September 1, 2000.

The inclusion in the consolidation scope of Sodexho, Inc., Wood Dining Services, Sogeres, Sodexho Services Group Ltd, Sodexho Scandinavian Holding AB and Universal Services at fair value resulted in the recording of intangible assets relating to the value attributed to the significant market shares inherent in the portfolios of contracts held by these six companies in their principal geographic markets (the United States, France, the United Kingdom and Ireland, the Netherlands, Australia and Sweden).

No deferred taxes are recorded on market shares.

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

Market share is principally determined based on an average of multiples of revenues and EBITA achieved by the acquired companies in their main markets and is reviewed annually for impairment.

Market shares are not amortized in the consolidated financial statements. If there is a significant diminution in the market share value for more than two consecutive years, as recomputed based on actual results compared to the original amounts, an impairment loss is recorded.

As indicated as of August 31, 2003, the impairment test on market shares and goodwill is further supported by a calculation of the assets' "value in use", as determined based on discounted future cash flows. The method used to determine value in use is described below.

In addition, as of February 29, 2004, the Group performed an impairment test on the intangible assets as required by the "Règlement du CRC n° 2002-10" issued on December 12, 2002 which defines the recoverable value of an asset as the higher of the market value or value in use.

- The market value is calculated based on criteria determined at the date of the acquisition corresponding mainly to revenues and EBITA and using multiples of recent transactions.
- Value in use is determined using the value of future cash flows after taxes calculated based on operating plans set out by management for a period of three years. These plans are extended over a longer period, for which the flows are extrapolated by applying a growth rate specific to the sector of activity and geographical region concerned. Cash flows are discounted using the average cost of capital.
- The recoverable value as determined is then compared to the sum of intangible assets, other fixed assets and working capital.

These impairment tests on intangible assets did not result in an impairment charge for the period ended February 29, 2004.

The "Règlement du CRC n° 2002-10" (in particular with respect to tangible fixed assets) will be fully implemented by the Group as of August 31, 2004.

8. Property, Plant and Equipment

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

Depreciation of the intangible and tangible fixed assets are, as shown in their statutory accounts, calculated on a straight-line basis over the estimated useful lives of the respective assets giving consideration to the local economic conditions and climate.

The following useful lives are generally used by Group companies:

- Software	25%
- Enterprise resource planning (ERP) systems	20%
- Buildings	3,33% - 5%
- Facilities and fixtures	10%
- Plant and machinery	10% - 50%
- Vehicles	25%
- Office and computer equipment	20% - 25%
- Other fixed assets	10%

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

9. Investment securities

Investment securities are recorded at acquisition cost. If the utility value is determined to be less than the net book value, investment securities are written down. Utility value is determined based on various criteria such as market value or market price, profitability outlook or revalued net assets. Dividends received from non-consolidated companies are recorded as income when they are received.

10. Accounts Receivables

Client receivables are recorded at their nominal values.

The allowance for doubtful accounts is estimated based on the risk of the non-recoverability of certain client receivables.

11. Deferred income taxes

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

As the pattern of temporary difference reversals is not fixed, deferred taxes recorded on the balance sheet have not been present valued.

In addition, deferred tax assets pertaining to net operating loss carry-forwards (net of deferred tax liabilities), are only recorded in cases where recovery is deemed probable.

12. Vouchers payable

Vouchers payable represents the face value of vouchers in circulation or presented to Sodexo Alliance but not yet reimbursed to the affiliates.

13. Financial investments

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

All such agreements are designated as hedges at contract inception. The Group does not engage in speculative transactions.

The accounting for swaps is as follows:

- For swaps negotiated on inter-company debt, the difference between the amount of the debt at the originally negotiated rates and at the swapped rates is recorded as debt.
- For other swap agreements, the related loans and borrowings are recorded at the swapped interest rate and currency.

14. Deferred financing charges

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

15. Provisions for contingencies and losses

A provision for contingencies and losses is recorded when it is probable that there exists a legal, equitable, or constructive obligation to sacrifice economic benefits to a third party in the future without an expectation of receiving proceeds of a similar amount from the third party. Provisions for contingencies and losses primarily include payroll and other taxes, client and supplier litigation, and employee litigation.

III ANALYSIS OF OPERATING ACTIVITIES AND GEOGRAPHIC INFORMATION

(In millions of Euro)	6 months ended February 29, 2004	Change	6 months ended February 28, 2003
REVENUES			
• By operating activity :			
Food and Management Services			
North America	2,661	(10.2%)	2,963
Continental Europe	1,898	3.3%	1,837
United Kingdom and Ireland	(1) 654	(13.9%)	760
Rest of the World	(1) 549	14.1%	481
Service Vouchers and Cards	128	0.7%	127
TOTAL	5,890	(4.5%)	6,168
• By geographic zone:			
North America	2,661	(10.2%)	2,964
France	926	2.8%	900
United Kingdom and Ireland	(1) 657	(14.4%)	768
Rest of Europe	1,039	3.7%	1,002
Rest of the World	(1) 607	13.6%	534
TOTAL	5,890	(4.5%)	6,168

- (1) The revenues from the "hospitality package" contract for the Rugby world cup in Australia, for which the services were performed by subsidiaries located in the United Kingdom, totaled EUR 49 million and are included in "Rest of the world".

	6 months ended February 29, 2004	Change	6 months ended February 28, 2003
Net Fixed Assets			
• By operating activity :			
Food and Management Services			
North America	2,399	(13.6%)	2,778
Continental Europe	716	1.5%	705
United Kingdom and Ireland	896	2.0%	879
Rest of the World	152	8.8%	139
Service Vouchers and Cards	138	12.1%	123
Holding Companies	33	(42.6%)	58
TOTAL	4,334	(7.4%)	4,682
• By geographic zone:			
North America	2,399	(13.6%)	2,778
France	357	(6.0%)	380
United Kingdom and Ireland	897	1.6%	882
Rest of Europe	422	2.7%	412
Rest of the World	259	13.6%	230
TOTAL	4,334	(7.4%)	4,682
EBITA (before corporate expenses)			
• By operating activity :			
Food and Management Services			
North America	146	(12.4%)	166
Continental Europe	87	(5.4%)	92
United Kingdom and Ireland	(1) 5	27.9%	4
Rest of the World	(1) 19	187.0%	6
Service Vouchers and Cards	37	(11.9%)	42
Holding Companies	(13)	21.1%	(16)
TOTAL	281	(4.7%)	294

(1) The EBITA from the "hospitality package" contract for the Rugby world cup in Australia, for which the services were performed by subsidiaries located in the United Kingdom, totaled EUR 6 million and is included in "Rest of the world".

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

Note 1) – Financial Expense, Net

	6 months ended February 29, 2004	6 months ended February 28, 2003
• Interest income	15	13
• Net variation in financial provisions	(3)	(1)
• Net exchange (loss) / gain	(3)	(7)
• Interest expense	(74)	(87)
TOTAL	(65)	(82)

The improvement in net financial expense of EUR 17 million is mainly the result of a decrease in foreign exchange losses (EUR 4 million) and in interest expense (EUR 13 million).

Interest expense primarily included interest of EUR 45 million on the 1996, 1999 and 2002 bond issuances and EUR 17 million on the credit facility arranged in April 2001 by the Sodexho, Inc. subsidiary.

Note 2) – Exceptional Items

The net exceptional expense of EUR 11 million includes a EUR 6 million provision relating to the loss on the disposal of a Brazilian subsidiary, Medcheque, which occurred in March, 2004.

Net exceptional expense also includes EUR 4 million in losses and provisions pertaining to Sodexho Alliance shares held in connection with the stock option plans.

Note 3) – Income Tax Provision

Following is a reconciliation of income taxes computed at Sodexo Alliance's statutory rate to the actual income tax provision for the 6 months ended February 29, 2004.

	6 months ended February 29, 2004	6 months ended February 28, 2003
Income before exceptional items, income taxes, income from equity method investees and goodwill amortization	216	212
Exceptional income	(11)	(7)
Income before taxes	205	205
Sodexo Alliance tax rate	35.43%	35.43%
Theoretical tax provision	(73)	(73)
▪ Effect of differing jurisdictional tax rates	(1)	(4)
▪ Permanent differences	1	(2)
▪ Other taxes	2	(4)
▪ Net operating loss carryforwards utilized in the current year but generated in prior years and not previously recognized	2	4
▪ Current year non-recognition of net operating loss carryforwards	(2)	(3)
Actual tax provision	(71)	(82)
Current income taxes	(74)	(76)
Deferred income taxes	4	(6)
Sub-total	(70)	(82)
Withholding taxes	(1)	(1)
Total Income taxes	(71)	(83)

Note 4) - Goodwill

		August 31, 2003	Additions during the year	Decreases during the year	Translation adjustments	February 29, 2004
Sodexo Inc. (including Wood Dining Services)	Gross	969.0		1.4	(84.9)	882.7
	Amort	(90.4)	(15.0)	(0.1)	6.7	(98.6)
Sodexo Services Group (1)	Gross	249.9			8.3	258.2
	Amort	(71.5)	(4.2)		(2.5)	(78.2)
Sodexo Pass do Brazil	Gross	87.6			(1.4)	86.2
	Amort	(12.5)	(1.4)		0.2	(13.7)
Sodexo Management Services	Gross	51.4			1.7	53.1
	Amort	(10.0)	(0.8)		(0.4)	(11.2)
Sogeres	Gross	56.5		2.6		53.9
	Amort	(4.0)	(0.7)			(4.7)
Sodexo Scandinavian Holding AB	Gross	55.8	0.7			56.5
	Amort	(10.8)	(1.0)			(11.8)
Sodexo España	Gross	28.5				28.5
	Amort	(8.3)	(0.5)			(8.8)
Sodexo Belgique	Gross	22.9	1.2			24.1
	Amort	(8.7)	(0.4)			(9.1)
Tillery Valley Foods	Gross	20.8			0.7	21.5
	Amort	(4.8)	(0.3)		(0.2)	(5.3)
Luncheon Tickets	Gross	22.5				22.5
	Amort	(3.7)	(0.4)			(4.1)
Sodexo Italia	Gross	17.7				17.7
	Amort	(3.1)	(0.4)			(3.5)
Universal Services	Gross	17.2				17.2
	Amort	(2.1)	(0.3)			(2.4)
Other goodwill (gross amounts less than EUR 15 million)	Gross	169.4	12.9	4.8	0.3	177.8
	Amort	(47.1)	(3.3)	(4.2)	0.0	(46.2)
Total	Gross	1,769.2	14.8	8.8	(75.3)	1,699.9
	Amort	(277.0)	(28.7)	(4.3)	3.8	(297.6)
	Net	1,492.2	(13.9)	4.5	(71.5)	1,402.3

(1) This line item includes all the international subsidiaries of the Gardner Merchant Group when acquired, notably in the United Kingdom, Ireland, the Netherlands, the United States and France.

Note 5) - Intangible Assets

	August 31, 2003	Additions during the year	Decreases during the year	Changes in consolidation scope	Translation adjustments	February 29, 2004
MARKET SHARES						
North America (Sodexo Inc.)	1,665.7				(200.0)	1,465.7
North America (Universal Sodexo)	40.0				(4.9)	35.1
United Kingdom, Ireland	540.4				18.2	558.6
Netherlands	86.1					86.1
Sweden	77.4					77.4
Australia	10.7				0.6	11.3
France	137.0					137.0
• Total Cost	2,557.3	0.0	0.0	0.0	(186.1)	2,371.2
Diminutions in value (Australia)	(1.0)					(1.0)
• Net book value	2,556.3	0.0	0.0	0.0	(186.1)	2,370.2
OTHER INTANGIBLE ASSETS						
Cost	187.3	7.5	0.6	0.4	(11.2)	183.4
Accumulated amortization and diminutions in value	(57.6)	(12.8)	(0.5)		2.1	(67.8)
• Net book value	129.7	(5.3)	0.1	0.4	(9.1)	115.6
TOTAL						
Cost	2,744.6	7.5	0.6	0.4	(197.3)	2,554.6
Accumulated amortization and diminutions in value	(58.6)	(12.8)	(0.5)		2.1	(68.8)
• Net book value	2,686.0	(5.3)	0.1	0.4	(195.2)	2,485.8

Note 6) - Tangible Assets

	August 31, 2003	Additions during the year	Decreases during the year	Changes in consolidation scope	Translation adjustments	February 29, 2004
Cost	948,4	59.3	26.3	2.9	(50.0)	934.3
Accumulated depreciation	(569,1)	(61.2)	(22.7)	0.2	38.2	(569.2)
Net book value	379,3	(1.9)	3.6	3.1	(11.8)	365.1

Capital Leases

Assets recorded under capital lease arrangements totaled EUR 43 million as of February 29, 2004 (EUR 48 million as of August 31, 2003), which was net of accumulated amortization of EUR 78 million.

Note 7) - Financial investments

	August 31, 2003	Increases/ (decreases) during the year	Changes in consolidation scope	Translation adjustments	February 29, 2004
Investment securities					
Cost	20,5	0.4	(1.7)	0.2	19.4
Diminutions in value	(9,5)	(1.0)		(0.2)	(10.7)
Net book value	11,0	(0.6)	(1.7)	0.0	8.7
Other investments					
Cost	22,2	(1.4)			20.8
Diminutions in value	(1,3)	0.9			(0.4)
Net book value	20,9	(0.5)	0.0	0.0	20.4
Receivables from investees					
Cost	13,7	1.6		0.5	15.8
Diminutions in value	0,0	(0.1)			(0.1)
Net book value	13,7	1.5	0.0	0.5	15.7
Loans receivable (*)					
Cost	6,1	0.1	0.2	(0.2)	6.2
Diminutions in value	(0,1)				(0.1)
Net book value	6,0	0.1	0.2	(0.2)	6.1
Deposits and other (*)					
Cost	12,0	(0.5)	0.5	(0.6)	11.4
Diminutions in value	0,0				0.0
Net book value	12,0	(0.5)	0.5	(0.6)	11.4
Total financial investments					
Cost	74,5	0.2	(1.0)	(0.1)	73.6
Diminutions in value	(10,9)	(0.2)	0.0	(0.2)	(11.3)
Net book value	63,6	0.0	(1.0)	(0.3)	62.3

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

Principal investment securities

As of February 29, 2004, investment securities principally include a EUR 3 million investment in Stadium Australia Management, in which the Group owns 15.8% of the shares, a EUR 2 million investment in Leoc Japan Co (previously, Sodex Japan Company Ltd), of which it owns 9.3%, and a EUR 1 million investment in Société Privée de Gestion, in which the Group owns 10.7% of the shares.

Note 8) - Equity Method Investees

	Gross balance, August 31, 2003	Current year net income (loss)	Current year distribution	Changes in consolidation scope	Translation adjustments and other (*)	Gross balance, February 29, 2004
Equity method investees	19.3	1.6	(1.8)	0.6	(0.8)	18.9

(*) a provision of EUR 8.3 million was recorded with respect to our negative investment in three equity method investees.

Note 9) - Inventories and work in progress

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

As of February 29, 2004, the gross value of inventories amounted to EUR 172 million.

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

	Gross value, February 29, 2004	Diminutions in value, February 29, 2004	Gross value, August 31, 2003	Diminutions in value, August 31, 2003
Advances	6		8	
Other operating receivables	238	(1)	265	(1)
Investment receivables	3		3	
Financing receivables	1		2	
Total other receivables	248	(1)	278	(1)
Prepaid expenses	65		70	
Deferred financing charges	19		22	
Other deferred charges	142		170	
Deferred tax asset	92		98	
Total	566	(1)	638	(1)

Note 10-1) - Accounts and Other Receivables

	Gross values, February 29, 2004	Diminutions in value, February 29, 2004	Net book value, February 29, 2004	Due within one year	Due from one to five years	Due after five years	Net book value, August 31, 2003
Accounts receivable	1,654	(65)	1,589	1,585	4	0	1,383
Other receivables	248	(1)	247	218	26	3	277
Prepaid expenses	65	0	65	64	1	0	70

The allowance for doubtful accounts represents 3.9% of accounts receivable as of February 29, 2004.

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

Note 10-2) - Deferred Charges

	February 29, 2004	Due within one year	Due from one to five years	Due after five years	August 31, 2003
Deferred financing costs	19	6	13	0	22
Deferred charges	142	33	67	42	170

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

Deferred charges, which are included as investment activities in the cash flow statement, include investments in client facilities in the U.S., which are amortized over the related contract term, totaling EUR 111 million as of February 29, 2004 as well as EUR 10 million of bid costs on long term contracts, which are amortized over the shorter of their estimated useful life and 10 years.

Note 11) - Deferred taxes

	February 29, 2004	August 31, 2003
Deferred tax assets	92	98
Deferred tax liabilities	(18)	(17)
Net deferred tax assets	74	81

As of February 29, 2004, deferred tax assets which were not recorded because their realization was not considered probable totaled EUR 27 million of which EUR 3 million related to deferred taxes originated in certain subsidiaries prior to their acquisition by the Group and EUR 2 million related to a subsidiary which was in the process of being sold (Medcheque).

Breakdown of deferred taxes

Temporary differences	
- Employee benefits liabilities	83
- Other temporary differences	(18)
Net operating loss carry forwards	9
TOTAL	74

Note 12) - Deposits and marketable securities

Deposits and marketable securities include 2,401,981 shares in SODEXHO ALLIANCE purchased for a total amount of EUR 88 million. These shares are to be used to fulfill our obligation with respect to several stock option plans within the Group.

A provision of EUR 0.4 million was recorded to revalue these shares to the exercisable price by the beneficiaries.

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

The fair values of deposits and marketable securities are shown in note 19.

Note 13) - Restricted cash

Restricted cash consists of funds set aside in order to comply with regulations governing the issuance of restaurant vouchers in France (EUR 140 million) and as a guarantee for certain commitments entered into by Mexican affiliates (EUR 10 million).

Note 14) - Cash by type of currency

Cash by type of currency as of February 29, 2004 was as follows:

Euro	735	62%
US Dollars	58	5%
Pounds Sterling	47	4%
Other currencies	336	29%
Total	1,176	100%

Note 15) - Shareholders' Equity

(in millions of euros except for number of shares)

	Shares outstanding	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation	Treasury shares	Group net income	Shareholders' equity
Shareholders' equity, August 31, 2002	159,021,416	636	1,191	495	(76)	(31)	183	2,398
Share capital increase	149							0
Reclassification (deferred tax on the charges for an increase in share capital)			(5)	5				0
Dividend payments by the holding company (net of dividends on treasury shares)				88			(183)	(95)
Net income for the period							162	162
Foreign currency translation adjustment					(215)	(1)		(216)
Shareholders' equity, August 31, 2003	159,021,565	636	1,186	588	(291)	(32)	162	2,249
Share capital increase	366							
Dividend payments by the holding company (net of dividends on treasury shares)				65			(162)	(97)
Net income for the period							97	97
Foreign currency translation adjustment and other changes				1	(177)			(176)
Shareholders' equity, February 29, 2004	159,021,931	636	1,186	654	(468)	(32)	97	2,073

Indirectly Held Treasury shares

As of February 29, 2004, Sofinsod had a 7.13% indirect interest in Sodexho Alliance through its 18.5% interest in the capital of Bellon SA, which in turn holds 38.53% of Sodexho Alliance.

Note 16) - Minority Interests

Changes in minority interests are as follows:

	February 29, 2004	August 31, 2003
Minority interests, beginning of year	66	73
Share capital increase	0	0
Dividends paid	(3)	(11)
Net income for the period	9	9
Change in consolidation scope	0	(2)
Currency translation and other	(2)	(3)
Minority interests, end of year	70	66

Note 17) - Provisions for Contingencies and Losses

	August 31, 2003	Increase	Release	Release without corresponding charge	Translation Differences and other	Change in consolidation scope	February 29, 2004
Sodexo Inc. acquisition provisions.	4				(1)		3
Payroll and other taxes	37	3	(4)	(1)	(6)		29
Contract termination costs	11		(1)		(4)		6
Client and supplier litigation	5	1	(1)				5
Employee litigation	16	3	(2)		(2)		15
Large repairs	5				(2)		3
Stock options		1	(1)		7		7
Medcheque disposal		6					6
Equity method investees	8						8
Other	3			(1)	2		4
Total	89	14	(9)	(2)	(6)	0	86

The following table summarizes the net impact to the income statement line items of the increases and releases to provisions for contingencies and losses as of February 29, 2004:

	Increase	Release
Operating	6	(7)
Financial	0	0
Exceptional	8	(5)
Total	14	(12)

Note 18) - Borrowings and Financial Debt

	Less than one year	One to five years	More than five years	Year ended February 29, 2004	Year ended August 31, 2003
Bonds					
Euro	387		1,300	1,687	1,641
Total bonds	387	0	1,300	1,687	1,641
Bank borrowings (1)					
US dollars	172	669	1	842	953
Euro	(75)	(336)	20	(391)	(388)
Pounds Sterling	89	(1)		88	85
Other currencies	28	13		41	45
Total bank borrowings	214	345	21	580	695
Capital lease obligations					
US dollars	3	3		6	7
Euro	11	19	4	34	38
Other currencies		3		3	3
Total capital lease obligations	14	25	4	43	48
Other borrowings					
Euro	6	2	1	9	4
Other currencies	1			1	1
Total other borrowings	7	2	1	10	5
Bank overdraft balances					
Euro	41			41	25
US dollars	1			1	0
Pounds Sterling	0			0	70
Other currencies	8			8	4
Total bank overdraft balances	50	0	0	50	99
Total	672	372	1,326	2,370	2,488

(1) Includes impact of swaps; see note 19 for further information.

Note 18-1) - Bond Issues

	August 31, 2003	Increase	Repayments	Translation differences	February 29, 2004
1996 bond issue – FRF 2,000,000,000					
Principal	305				305
Accrued interest	4	9			13
Total	309	9	0	0	318
Number of securities	400,000				400,000
1999 bond issue – EUR 300,000,000					
Principal	300				300
Accrued interest	6	7			13
Total	306	7	0	0	313
Number of securities	300,000				300,000
2002 bond issue – EUR 1,000,000,000					
Principal	1,000				1,000
Accrued interest	26	30			56
Total	1,026	30	0	0	1,056
Total	1,641	46	0	0	1,687

EUR 305 million bond issue

On May 22, 1996, Sodexho Alliance issued 400,000 bonds with a nominal value of FRF 5,000 each (EUR 762.25) representing a total of FRF 2 billion (EUR 305 million).

The bonds are redeemable at par on June 7, 2004 and bear interest at 6 percent per annum, which is payable on June 7 annually.

Each bond carried a warrant, entitling the bearer to purchase one Sodexho Alliance share prior to June 7, 2004 for FRF 2,700, with a current exercise price of EUR 24.71 per share.

EUR 300 million bond issue

On March 16, 1999, Sodexho Alliance issued 300,000 bonds of EUR 1,000 each for total proceeds of EUR 300 million. The bonds will be fully redeemable at par on March 16, 2009.

The bonds carry interest at 4.625 percent per annum, which is payable on March 16 annually.

EUR 1 billion bond issue

On March 25, 2002, Sodexho issued bonds totaling EUR 1 billion, maturing on March 25, 2009, and carrying interest of 5.875 percent payable on March 25 annually.

Note 18-2) - Other Borrowings

As of February 29, 2004, portions of the three tranches of the April 2001 credit facility negotiated with a syndicate of banks and guaranteed by Sodexho Alliance have been reimbursed as follows:

- Tranche A totaling EUR 1,932 million, was fully reimbursed ;
- Tranche B totaling US dollars 930 million, with quarterly repayments over the next five years, was reimbursed for an amount of US dollars 310 million (pursuant to the swap agreement described in note 20 below the US dollar variable LIBOR-based rate on this debt has largely been swapped for a fixed rate) ; and
- Tranche C totaling US dollars 150 million, to be utilized for short-term financing, working capital needs and for bank guarantees and reimbursable in full in five years, of which U.S. dollar 47 million was utilized as of February 29, 2004.

Covenants

The EUR 305 million and EUR 300 million bond issues, redeemable on June 7, 2004 and March 16, 2009, respectively, are not subject to any financial covenants.

The credit facilities arranged in April 2001 with a syndicate of banks amounted to US dollars 667 million as of February 29, 2004 and include accelerated repayment conditions typical of this type of arrangement.

Also included in the terms are various specific covenants related to the level of ownership in Sodexho Alliance by Bellon S.A., which is not permitted to be lower than 33.3%, as well as to ratios pertaining to the Group's consolidated net debt, its EBITA, and its net financial expense.

These ratios, which are evaluated at each half-year point and calculated based on a rolling 12 months, are as follows:

	<u>February 29, 2004</u>
Net debt / EBITDA*.....	<u>< 2.15</u>
EBITA / financial expense*.....	<u>> 3.75</u>

** These four items are defined in the credit agreement. These definitions differ in several respects from accounting definitions. For example, in the definition provided in the covenants, net debt does not include restricted cash. As such, the financial covenants cannot be recalculated from the published financial statements.*

The Group was in compliance with the above requirements as of February 29, 2004.

Should a covenant requirement not be met, the credit facilities agent or the banks representing more than two thirds of the credit facilities are authorized to require accelerated repayment of the balance of the credit facilities.

Accelerated repayment of the credit facilities gives the holders of the EUR 1 billion bond issue the right to demand repayment of the bonds.

Interest rates

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

As of February 29, 2004, 90% of borrowings are at fixed rates and the average interest rate at this date was 5.50%.

Note 19) - Financial Instruments

The table below summarizes the impact on the financial statements of the financial instruments described in note 18:

in millions of euro	Note	Borrowings in euro	Borrowings in USD	Borrowings in GBP	Borrowings in other currencies	TOTAL
a) Borrowings subject to cross currency agreements:						
- UK borrowings (GBP 60 million) (1)						
Due to the bank				89		89
Due from the bank		(93)				(93)
- Sodexho Scandinavia swaps (SEK 150 million) (2)						
Due to the bank					16	16
Due from the bank		(17)				(17)
- Sodexho Inc. swaps (USD 300 million) (3)						
Due to the bank			249			249
Due from the bank		(349)				(349)
- other subsidiaries swaps :						
Due to the banks					2	2
Due to the bank					3	3
Due to the bank					1	1
Due from the bank		(6)				(6)
Due to the bank					1	1
Due from the bank				(1)		(1)
b) Borrowings subject to interest rate swap agreements		0	499	0	0	499
c) Borrowings not subject to hedging arrangements		74	94	0	18	186
Total borrowings		(391)	842	88	41	580

a) Cross currency swaps

- 1) In order to match the cash flows on debt repayments with the currency of an operating subsidiary in the United Kingdom and Ireland, in October 1999, the Group negotiated a cross currency swap (capped LIBOR in pounds sterling against 5.25% in pounds sterling against euro) on an intercompany loan of EUR 93 million. The decrease in the value of the pound sterling against the euro since October 1999 decreased borrowings as converted to euro by EUR 4 million related to this instrument as of February 29, 2004.
- 2) In June 1999, a cross currency swap was negotiated on a loan of EUR 50.1 million to Sodexho Scandinavia Holding AB (4.15% against a variable interest rate in Swedish crowns). The related debt at the swapped rate totaled EUR 16.7 million. The swap terminates in August 2004.
- 3) In March 2002, a cross currency swap was negotiated on an inter-company loan of US dollar 309 million to Sodexho, Inc. (6.325% against 6.5775% and in euro against US dollars) reimbursable on March 25, 2007. As of February 29, 2004, the debt at the swapped rate totaled EUR 349 million. The decrease in the dollar against the euro, since the negotiation of the swap, led to a decrease in the debt as converted to euro of EUR 100 million.

b) Interest Rate Swaps

Several interest rate swaps (2.1% to 5.9% against US dollar LIBOR) with the following maturities were negotiated in order to convert variable rate interest to fixed on US dollar 620 million (equivalent to EUR 499 million) drawn on Tranche B of the credit facility described above. Following are the maturities of the underlying notional amounts.

	6 months ended February 29, 2004	2004-2005
Interest rate swaps (in millions of USD)	250	370
Interest rate swaps (in millions of EUR)	201	298

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

Fair Values of Financial Instruments

In Millions of Euro	February 29, 2004		
ASSETS	Net book value	Fair value	Difference
Financial investments			
Investment securities	9	9	0
Receivables from investees	16	16	0
Loans receivable	6	6	0
Other investments	20	20	0
Deposits and other	11	11	0
• Total financial investments	62	62	0
• Equity method investees	19	19	0
Marketable securities and other			
Cash	33	33	0
Term deposits	121	121	0
Debt securities	120	120	0
Mutual funds –SICAV	239	239	0
Listed securities	0	0	0
Mutual funds – other	31	31	0
• Total	544	544	0
Sodexo Alliance shares (*)	88	60	(28)
• Total marketable securities and other	632	604	(28)
• Restricted cash	150	150	0
Total assets	863	835	(28)
LIABILITIES			
Bonds			
2002 EUR 1 billion bond issuance	1,055	1,124	69
1999 EUR 300 million bond issuance	313	310	(3)
1996 EUR 305 million bond issuance	319	319	0
• Total	1,687	1,753	66
Bank debt			
Sodexo, Inc. borrowings.	581	595	14
Swap on intercompany loan with Sodexo Holdings Ltd	(4)	(4)	0
Swap on intercompany loan with Sodexo, Inc.	(100)	(105)	(5)
Other bank debt	103	103	0
• Total bank debt	580	589	9
• Bank overdrafts	50	50	0
• Other borrowings	53	53	0
• Total borrowings	2,370	2,445	75
• Other liabilities			
Debt on acquisition of 53% of Sodexo, Inc.(*)	39	10	(29)
Total Liabilities	2,409	2,455	(46)

(*) Part of the acquisition debt for the remaining Sodexo Marriott Services, Inc. shares acquired in June 2001 was payable in the equivalent of Sodexo Alliance shares; the debt has been revalued using the price paid by Sodexo to purchase its own shares on the open market. As of February 29, 2004, the fair value of the Sodexo Alliance Shares was EUR 28 million lower than its net book value; the fair value of the related debt was EUR 29 million lower than its net book value.

Note 20) - Other liabilities

	February 29, 2004	August 31, 2003
Advances from clients	152	171
Tax and employee liabilities	947	974
Other operating liabilities	53	59
Other non-operating liabilities	138	38
Deferred revenues	36	35
Deferred tax liabilities	18	17
TOTAL	1,344	1,294

Note 21) - Statement of Cash Flows – Additional Information

The table below provides additional information on the balance sheet line items impacting the cash flow statement, excluding exchange rate variations, changes in consolidation scope, or other variations not impacting cash flows.

Note 21-1) - Changes in Working Capital

	Assets	Liabilities	Total Change
Inventories	10		
Accounts receivable, net of allowance for doubtful accounts	260		
Other operating receivables	(16)		
Advances	(3)		
Accounts payable		(28)	
Vouchers payable		90	
Taxes and social charges payable		18	
Other operating payables		(20)	
Deferred revenues		3	
Change in working capital from operating activities	251	63	(188)
Investment related receivables			
Investment related payables		3	
Change in working capital from investment activities	0	3	3
Financing related receivables	8		
Financing related payables		97	
Change in working capital from financing activities	8	97	89

Note 21-2) - Acquisitions and Disposals of Tangible and Intangible Assets and Subsidiaries

	Acquisitions	Disposals	Net
Tangible and intangible assets	(79)	3	(76)
Variation in financial assets	(2)		(2)
Total change in tangible and intangible assets	(81)	3	(78)
Acquisitions (disposals) of subsidiaries	(16)	1	(15)
Less: cash in acquired and disposed of companies, net	3	(2)	1
Total change in consolidation scope	(13)	(1)	(14)
TOTAL	(94)	2	(92)

Note 22 - Commitments

Note 22-1) - Off balance sheet commitments

	February 29, 2004			Total	August 31, 2003*
	< 1 year	1 – 5 years	> 5 years		Total
Financial guarantees to third parties	38	27	6	71	59
Performance bonds on operating leases	25	8	7	40	33
Client performance bonds	9	10	26	45	48
Other commitments	6	1	2	9	10
TOTAL	78	46	41	165	150

To our knowledge, with respect to the above table, there are no other significant off balance sheet commitments.

Sureties

In connection with its Service Vouchers and Cards activity, Sodexho Alliance and its subsidiaries have secured cash amounts with different financial institutions, totaling EUR 10 million as of February 29, 2004. Other surety arrangements (security granted over equipment or buildings used for collateral) agreed to by Sodexho Alliance and its subsidiaries during the first half of 2003/2004 were not significant.

Note 22-2) - Commitments to purchase or sell shares in companies

Commitments made

- **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 8% of the shares outstanding by November 2005, at the latest, for a price based upon a profit multiple. The minimum purchase price amounts per the agreement is EUR 0.5 million and it is estimated at EUR 1.6 million, based on current projections.

- **Altys Multiservice**

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.

- **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.

- **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.

- **Sodexo MM Catering**

The Group has entered into a put agreement to acquire the remaining 9.5% of the shares of Sodexo 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

- **Patriot Medical Technologies, Inc.**

The minority shareholders of Patriot Medical Technologies, Inc 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 Medical Technologies, Inc, if any, for the greater of US dollar 2 million and five times Patriot Medical Technologies, Inc.'s EBITDA, reduced by adjustments defined in the contract between the parties.

- **Abra (subsidiary of Sodexo 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.

- **Sodexo Italia**

The minority shareholder of Sodexo 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 Multiservice**

The minority shareholders of Altys Multiservice have entered into a call agreement to sell the remaining shares to the Group between October 1, 2005 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.

Note 22-3) - Other commitments

Securitization

During fiscal 1999 Gardner Merchant Ltd (now Sodexo Ltd) and some of its subsidiaries in the United Kingdom entered into a long-term agreement to securitize without recourse a portion of their accounts receivable for a maximum amount of GBP 75 million.

The amount securitized totaled GBP 48.4 million (EUR 72 million) as of February 29, 2004.

The decrease in securitization of EUR 12 million (excluding foreign exchange effects) compared to August 31, 2003 is included under the caption "working capital from financing activities" in the cash flow statement.

Note 22-4) - Commitments for stock options in Sodexo Alliance Shares

The group, through its stock option plans, is committed to deliver 2,301,209 Sodexo Alliance shares to employees of Sodexo, Inc. at an average price of USD 27.20 in connection with the acquisition of 53% of the shares of Sodexo Marriott Services in June 2001.

Issuance date	Exercisable period		Subscription price	Number of shares
	From	To		
June, 2001	Before February 29, 2004	April, 2011	USD 28.04	1,985,054
June, 2001	2 nd semester 2003/2004	April, 2011	USD 25.00	35,324
June, 2001	2004/2005 fiscal year	April, 2011	USD 21.52	280,831
TOTAL				2,301,209

To date, 5,852,922 Sodexho Alliance shares have been granted by the Board of Directors to employees of the Group in connection with various stock option plans.

Issuance date	Exercisable period		Exercise price	Number of shares on February 29, 2004
	From	To		
January, 2000	March, 2004	January, 2005	EUR 39,86	70,459
April, 2000	March, 2004	January, 2005	EUR 39,86	2,251
January, 2001	March, 2005	January, 2006	EUR 48,42	303,017
January, 2002	January, 2006	January, 2007	EUR 47,00	407,140
January, 2002	January, 2006	January, 2008	EUR 47,00	1,124,617
September, 2002	April, 2006	March, 2008	EUR 47,00	12,000
October, 2002	October, 2006	October, 2007	EUR 21,87	3,080
January, 2003	January, 2004	January, 2009	EUR 24,00	2,838,115
June, 2003	January, 2004	January, 2009	EUR 24,00	84,660
January, 2004	January, 2005	January, 2010	EUR 24,50	1,007,583
TOTAL				5,852,922

	6 months ended on February 29, 2004
(Number of options)	
Options outstanding as of September 1, 2003	5,085,838
Options granted	1,009,683
Options exercised	(2,775)
Forfeitures due to employee departures	(91,485)
Forfeitures due to unmet performance objectives	(148,339)
Options outstanding as of February 29, 2004	5,852,922

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 February 29, 2004 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 4 million was recorded in the consolidated financial statements as of February 29, 2004.

Note 22-5) - Commitments for operating leases

The future payment commitments for operating leases are as follows:

- Less than one year : EUR 79 million
- Between one and five years : EUR 144 million
- More than five years : EUR 27 million

Operating lease commitments primarily relate to central kitchens under tri-partite agreements for EUR 42 million and rent for office space and various equipment.

Note 23 - Retirement and Other Commitments

The following table presents defined benefit obligations by geographic zones:

	United Kingdom and Ireland	Continental Europe	Others	February 29, 2004	August 31, 2003
Benefit obligation to employees	369	142	5	516	477
Liability recorded	0	78	5	83	80
Fair value of assets	254	46	0	300	269

Obligations recorded in the balance sheet

Obligations recorded as a liability in the balance sheet relate to retirement indemnities and related payments totaling EUR 83 million.

Other obligations

As of February 29, 2004, obligations which were not recorded as a liability in the balance sheet totaled EUR 433 million.

United Kingdom and Ireland

In United Kingdom and Ireland, the retirement plan obligations for which there is an external fund relate to a complementary retirement plan based on a percentage of ending salary (affected personnel working in the private sector) or based on comparable payments in the public sector (affected personnel working in the public sector).

The obligations have been calculated using the projected unit credit valuation method using the following assumptions:

Discount rate	5.50%
Rate of salary increase	4.15%
Inflation rate	2.90%
Rate of return on plan assets	6.50%

It was decided during fiscal 2003 to close the plan to new employees effective July 1, 2003 and to increase the contributions to the funds, which should allow for full coverage of the obligation at the end of a period of eight years.

Continental Europe

In Continental Europe the main defined benefit plan is in the Netherlands, where retirement plan indemnities are provided to certain employees.

The obligations are calculated using the projected unit credit valuation method with the following assumptions:

Discount rate	5.50%
Rate of salary increase	3.00%
Inflation rate	2.00%
Rate of return on plan assets	5.90%

United States

Our subsidiaries in the United States do not have significant defined benefit plans. Defined contribution plans are in place for certain members of local top management.

Note 24 - Other Information

Note 24-1) - Related parties

The subsidiaries of the Sodexho Alliance Group paid Sodexho Alliance SA EUR 31.8 million for management and coordination services provided during the 6 month period ended February 29, 2004.

Bellon SA holds 38.53% of the capital of Sodexho Alliance.

Pursuant to an agreement between Bellon SA and Sodexho Alliance, Bellon SA invoiced Sodexho Alliance EUR 1.3 million for consulting and advisory services during 6 months period ended February 29, 2004.

Note 24-2) - Litigation

Mc Reynolds vs. Sodexho Marriott Services, Inc.

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 approximately 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.

In accordance with the trial judge's scheduling order, the parties to this litigation have concluded discovery, and a trial date has been scheduled for late 2004. A resolution of plaintiffs' claims in their favor could have a material effect on our net income.

In fiscal year 2002, a provision of USD 10 million (EUR 8 million at the February 29, 2004 exchange rate) was recorded for defense costs anticipated in connection with this lawsuit.

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

Note 24-3) - Subsequent Events

Other than the disposal of the Medcheque subsidiary on March 11, 2004, there have been no significant events arising subsequent to February 29, 2004.

V CONSOLIDATION SCOPE

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

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

All fully consolidated companies that do not have a February 29 6 months-end are consolidated on the basis of financial statements prepared as at February 29 and for the 6 months then ended.

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

There have been no significant changes in the consolidation scope during the 6 months period ended on February 29, 2004.

VI STATUTORY FINANCIAL STATEMENTS OF SODEXHO ALLIANCE (HOLDING COMPANY) FOR SIX MONTHS ENDED FEBRUARY 29, 2004

	6 months ended February 29, 2004	6 months ended February 28, 2003
Revenue	27	47
Earnings before exceptional items and income taxes	61	31
Net income	66	34

As Sodexho Alliance is the holding of the group, then only the consolidated income is relevant of the group's activity.

VII EXCHANGE RATES OF THE MAIN GROUP'S CURRENCIES

Country	Currency	Average rate for			Average rate for		
		Closing rate on February 29, 2004	6 months ended February 29, 2004	Closing rate on August 31, 2003	Closing rate on February 29, 2003	6 months ended February 29, 2003	
EUR	Euro Zone (1)	<i>Euro</i>	1,000000	1,000000	1,000000	1,000000	1,000000
AUD	Australia	<i>Dollar</i>	0,618850	0,600597	0,587820	0,561293	0,553514
BRL	Brazil	<i>Peso</i>	0,277108	0,287243	0,307201	0,259977	0,276460
CAD	Canada	<i>Dollar</i>	0,596730	0,629960	0,655179	0,621581	0,629435
CLP	Chile	<i>Peso (1000 units)</i>	1,354958	1,335853	1,308524	1,230815	1,350840
CNY	China	<i>Yuan</i>	0,097292	0,100922	0,110566	0,112047	0,118514
USD	United States	<i>Dollar</i>	0,805283	0,835315	0,915164	0,927472	0,980948
MXN	Mexico	<i>Peso</i>	0,072789	0,075130	0,082869	0,084167	0,094651
GBP	United Kingdom	<i>Pound Sterling</i>	1,492537	1,445129	1,443835	1,461561	1,552227
SEK	Sweden	<i>Krona</i>	0,108325	0,109978	0,108342	0,109340	0,109438
VEB	Venezuela	<i>Bolivar (1000 units)</i>	0,417422	0,515934	0,575695	0,581852	0,665538

(1) Germany, Austria, Belgium, Spain, Finland, France, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal

VIII STATUTORY AUDITORS' REPORT ON THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED FEBRUARY 29, 2004 (FREE TRANSLATION OF THE FRENCH ORIGINAL)

In our capacity as statutory auditors of Sodexho Alliance and in accordance with Article L. 232-7 of French Company Law (Code de commerce), we have performed the following procedures:

- A review of the accompanying summary of operations and income statement as they appear in the half year consolidated financial statements, for the six month period ended February 29, 2004,
- A verification of the information provided in the Company's half year management report.

These half year consolidated financial statements are the responsibility of the management board. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. These standards require that we plan and perform limited review procedures to obtain moderate assurance, lesser than that which would result from an audit, as to whether the consolidated interim financial statements are free from material misstatement. A limited review excludes certain audit procedures and is limited to performing analytical procedures and to obtaining information which we considered necessary from Company management and other appropriate sources.

Based on our limited review, nothing has come to our attention that causes us to believe that the half year consolidated financial statements, prepared in accordance with accounting principles generally accepted in France, do not present fairly, in all material respects, the financial position, the assets and liabilities of the group as at February 29, 2004 and the results of its operations for the six month period then ended.

We have also reviewed, in accordance with professional standards applicable in France, the information contained in the half year management report on the half year consolidated financial statements on which we have based our review.

We have nothing to report with respect to the fairness of such information and its consistency with the half year consolidated financial statements.

Paris and Paris La Défense, May 5, 2004

PricewaterhouseCoopers Audit

KPMG Audit Department of KPMG S.A.

G rard Dantheny Hubert Toth

Patrick-Hubert Petit

Partner

Partner

Partner