

Remarks of Sodexo CEO Michel Landel

at the January 23, 2012
General Shareholders Meeting

sodexo

Quality of Daily Life Solutions

As you have seen, Sodexo's results for Fiscal 2011 were good; we continued our transformation and maintained our level of investment.

Our strategy is based on five pillars:

- become the global leader in On-site Services;
- reinforce our position in Foodservices, our core business;
- become the global leader in Motivation Solutions;
- progressively develop our range of Personal and Home Services;
- maintain the Group's independence.

Sodexo's sustained performance over several years demonstrates the relevance of this strategy. As Sian (*Sian Herbert-Jones, Chief Financial Officer*) has just presented, during the past 12 months, our share price rose nearly 12% while the CAC 40 fell by 16%.

I would like to note a few highlights from the past year:

- First, our development is being achieved increasingly through **our comprehensive Quality of Life services offer**;

The portion of our revenues generated through Facilities Management services has increased over the past five years from 18 to 25%; for the past 12 months, growth of Facilities Management services was three times that of foodservices.

We have shown you some examples of major contract wins in the videos; I would note three that are particularly emblematic:

- the London Olympic Games, to be held next August;
- the schools of the city of Marseilles, France, where we provide 45,000 meals each day;
- the full renewal of our contract with the U.S. Marine Corps.

- Second, we have become the **leader in On-site Services in the four BRIC countries** with their strong potential for growth:

- Brazil, with the recent acquisition of the company Puras,
- Russia, India and China.

I also would remind you that in Motivation Solutions, we have been number one in Brazil since 2008 and that in India, we hold 70% market share – two markets with very high growth potential.

- Third, over the past 5 years, **we have achieved average annual revenue growth of 6.3% and average annual growth in operating profit of more than 11%.**



I would like to discuss three points:

1. First, to remind you of our positioning,
2. The transformation that we began several years ago,
3. Our short and medium term objectives with regard to our positioning.

We see it everywhere... Changes in the world are accelerating: growth in Western countries is slowing as a result of their debt burden, the global economy is increasingly integrated and interconnected, demographic changes are transforming our societies, environmental issues are increasingly critical...

Faced with these developments in a society that is becoming increasingly a "services society" and where people are seeking improved quality of life, Sodexo is undergoing a transformation to become an "integrator of Quality of Life services," capable of supporting our clients not only in their economic development but also in their social and environmental progress.

In addition to the substantial size of our markets, our role as an integrator of Quality of Life services allows us to act as a "change agent" for our clients – whose needs are changing as a result of the trends we have seen – and thus to create additional value for them.

These needs exist at three levels:

- In terms of **human resources**: our clients are seeking to improve the motivation and commitment of the women and men of their organizations and, thus, increase employee loyalty and performance;
- In terms of **processes**: competitive pressures are driving clients to become ever more efficient, competitive and open to change;
- Finally, in terms of **infrastructure**, to ensure the safety of their teams and extend the life of their facilities.

In partnership with our clients, we create and implement **integrated Quality of Life Service solutions**, setting objectives for tangible and measurable results, not only to lower their operating costs but also to improve their image, their attractiveness and the effectiveness of their organizations.

I will cite two examples:

- First, the correctional facilities, particularly in the UK, where we design and construct these facilities. We then furnish all of the services necessary for the facilities' operations: including guarding detainees and especially providing training and taking other actions that support the rehabilitation of prisoners, such as promoting literacy; our performance is measured – and part of our compensation is based – on reducing recidivism rates.
- Another example is health care facilities whose main challenges lie in reducing their operating costs and enhancing their ability to attract and retain medical staff: Sodexo is developing a range of integrated Quality of Life services to support health care such as reception, nutrition, logistics management of all equipment, patient transport, bio cleaning, sterilization of surgical instruments and maintenance of medical equipment including MRI's and scanners.

In the U.S., for example, where we are No. 1 in this market, a part of our compensation is tied to patient and medical staff satisfaction as measured by independent bodies.

I could give many other examples in each of our three activities and in each of our client segments...

As you can see, Sodexo is no longer simply a foodservices company.

In inventing this new profession, we have become integrators of services needed by individuals, organizations and society as a whole...

The second theme that I would like to address is the continued transformation of our Group.

I will comment on three of our major strategic initiatives from our road map:

First, continuing to improve our competitiveness is a permanent effort.

To do this, we have several levers:

The first lever,

that of **differentiation** through our unique and original Quality of Life services offer; we are accelerating its deployment throughout all of our client segments and all of our geographic zones.

The second lever,

that of the **brand**; we decided to have a single global brand.

Today we have an ambitious project to make the Sodexo brand a powerful tool for our competitiveness and our growth.

A strong global brand represents our promise:

- to clients and consumers of high quality service
- to our employees of an attractive employer offer
- to our shareholders for a regular return on their investment in our Group.

The third lever,

new information technology and communications to better manage information at all levels of the company and also to better collect, disseminate and share knowledge across the Sodexo network.

The fourth lever,

improve the productivity on all of our sites, including optimizing our costs of purchasing, production and our personnel:

- we have developed robust action plans in this area for each country.

The final lever,

to improve the efficiency of our organization, including through further rationalization or centralization of certain processes, and by pooling our resources. Over the past three years, we have reduced our operating costs by nearly 150 million euros, including by eliminating many unnecessary tasks through standardization of methods.

We also are working to strengthen measurements, rigor and discipline at all levels.

Through these savings, we have and will continue to self-finance the investments needed to transform and develop our organization.

The second important initiative: our decision to continue to invest in countries with strong growth potential.

As I said earlier, the acquisition in September of Puras, number two in on-site services in the Brazilian market, enabled us to become **the leader across all of the high potential growth markets of the BRIC countries** in which we have achieved double-digit growth over the past several years.

These four countries represent approximately 10% of Sodexo's consolidated revenues; in the first quarter of this year, our growth in these countries exceeded 20% for On-site Services and was nearly 18% for Motivation Solutions.

This presence is an important strength for our Group.

We are investing particularly in human resources in these countries in order to facilitate the transfer of knowledge and accelerate the training of teams as well as to implement our foodservices and facility management expertise.

These investments will weigh on operating profit today but, thanks to these investments and to the efforts of our local teams, the operating margin for the "Rest of the World" countries should be within the Group average as of 2015.

The third strategic initiative that I want to discuss is that of human resources which remains a priority for all Sodexo executives and managers.

The human is at the heart of our business... the women and men of Sodexo are our most valuable resource and our success depends **on their engagement**.

The challenge we face in accelerating our profitable growth is not a lack of business opportunities in our markets; it is the lack of "resources" ready at the right time.

That being said, we are making progress:

- In addition to our actions in leadership management, international mobility and the development of our Employee Value Proposition, the transformation of our Group – from a single service provider to an integrator of Quality of Life services – includes significant changes at several levels, both in terms of skills as well as the attitudes of our teams.
This is our greatest challenge and underlines the particular importance of maintaining our investments in training of around 10% of the Group's operating profit.
- We have also increased our recruiting of women and men from other backgrounds with different experiences, including in technical fields. We have created platforms for skills development such as in Singapore, Shanghai, Sao Paulo, Paris, London and the U.S.
- I should also note our approach to foster diversity as a source of progress, creativity and innovation. In this area, our ambition is to build a competitive advantage, to be a company whose teams around the world are a true reflection of the societies, cultures and communities that are home to the 50 million consumers we serve every day, who we must always better understand to better serve ...

To continue to progress, we have invested in dedicated resources, set quantitative objectives, created specialized training programs, encouraged flexible working hours (where possible), encouraged the creation of networks and shared our experience with our clients and partners.

All of these efforts have enabled us to build or strengthen relationships of trust with clients and partners and to support our growth.

Before concluding ...

I remind you that within our quality of life services offering, we have formalized our corporate social responsibility commitment through our "**Better Tomorrow Plan**", which is perfectly aligned with our mission, our values and the role we intend to play in the local communities we serve.

The plan is structured around three priorities:

- first, **promoting nutrition, health and wellness**.
Every day, our company plays a major role in advising and changing consumption habits of the 50 million people we serve.
- second, **support the development of local communities**.
Through STOP Hunger, we act to fight against hunger and malnutrition in the world through the involvement of our teams on the ground.

- third: **protect the environment.**

By limiting our consumption of energy and water and attacking waste and by buying more responsibly... I will give you a recent example: the global agreement signed with the Marine Stewardship Council (MSC) to preserve endangered fish species and to educate our clients and consumers on the urgency of changing our eating habits in this area.

To conclude, I remind you of our objectives for the current year and beyond:

Despite the uncertain economic environment, we expect:

- organic revenue growth between 5 and 8%;
- to this organic growth should be added a contribution to consolidated revenues of about 4% from recent acquisitions;
- and, an increase in operating profit of around 10%.

In the medium term, we are confident that our strategy we will:

- **accelerate average annual consolidated revenue to 7%,**
- **achieve a consolidated operating margin of 6.3%** within four years.

Thus, double digit average annual growth.

Sodexo will remain a growth company for its clients, employees and shareholders.

Finally, despite the current difficult global economic environment and the issues we face, I want to reiterate my confidence in the future, underlined by the strengths of our Group:

- **our independence;**
- **our leading international presence** in 80 countries, including an undisputed leadership position in the BRIC countries;
- **our diverse client portfolio** with leading positions in markets with strong potential of Health Care, Seniors, Education, Defense and Justice;
- **our original and unique positioning** with an integrated offer of Quality of Life services, which allows us to assist our clients in improving their performance and which reflects real demand throughout all of our markets and all our client segments.
We are also the only company in the world to offer our clients On-site Service Solutions, Motivation Solutions and Personal and Home Services;
- **our excellent financial strength;**
- **and finally, our strong service culture**, shared values, the diversity of talent and engagement of our teams; in today's world, I believe we must work so that the human is at the center of a more balanced and human society... This culture, which unites us and contributes to the value we bring to our clients, is a tremendous asset for our Group.

The Group Executive Committee joins me in thanking our clients for their loyalty, our shareholders for their confidence, our partners for their support and all of the women and men of Sodexo throughout the world for the good performance achieved during the year and for their commitment to serve others, to enable progress and improved Quality of Life.

Thank you for your attention. I turn the floor over to Pierre Bellon.