

PRESS RELEASE

Sodexo: another year of solid performance; positive outlook

- **Revenues up +2.2%, and organic growth¹ of +2.5%**
 - On-site organic growth at +2.4% despite a tough economic environment in Remote Sites and a difficult situation in France.
 - Resilient Benefits & Rewards Services activity at +4.7%.
 - Excluding the impact of the Remote Sites activity, underlying growth was strong at +4%;
- **+30 basis points improvement in operating margin excluding currency effect and before exceptional expenses².**
- **Segmentation is enhancing new business opportunities highlighted by a major integrated services contract signed with Rio Tinto in Australia.**
- **Net profit +5.2% before non-recurring items³ and currency effect.**
- **Proposed dividend⁴ of 2.4 euros representing an increase of +9.1% and a €300 million share repurchase program (around 1.9% of capital) for cancellation purposes.**
- **Fiscal 2017 guidance of around 3% revenue organic growth and an 8% to 9% operating profit growth (excluding currency effect and exceptional expenses linked to the Adaptation and Simplification program).**
- **Medium-term objectives confirmed.**

Issy-les-Moulineaux, November 17, 2016 - Sodexo (NYSE Euronext Paris FR 0000121220-OTC: SDXAY). At the Board of Directors meeting held on November 15, 2016 and chaired by Sophie Bellon, the Board closed the Consolidated and Company accounts.

Sodexo's Chief Executive Officer Michel Landel presented the Group's performance for the fiscal year ended August 31, 2016.

¹ Organic growth is defined as growth at constant exchange rates (converting Fiscal 2016 figures at Fiscal 2015 rates) and consolidation scope, except for Benefits & Rewards in Venezuelan Bolivar. All Fiscal 2016 and Fiscal 2015 figures in VEF have been converted at the exchange rate of USD 1= VEF 645 vs. VEF 199 for Fiscal 2015.

² Exceptional expenses are the costs of implementation of the Adaptation and simplification program in Fiscal 2016 (108 million euro).

³ Non-recurring items: 108 million euro of exceptional expenses and 21 million euro of early debt reimbursement indemnity, both net of taxes (respectively 71 million euro and 13 million euro).

⁴ To be proposed at the Annual General Meeting on January 24, 2017.

Financial performance for Fiscal 2016:

(in millions of euro)	Fiscal 2016 (ended August 31, 2016)	Fiscal 2015 (ended August 31, 2015)	Change	Change excluding currency effect ¹
Revenue	20,245	19,815	+2.2%	+2.6%
Organic growth ²	+2.5%	+2.5%		
Operating profit before exceptional expenses ³	1,203	1,143	+5.2%	+8.2%
Operating margin before exceptional expenses ³	5.9%	5.8%	+10bps	+30bps
Exceptional expenses ³	(108)	-		
Operating profit	1,095	1,143	-4.2%	-1.3%
Net financial expense	(111)	(107)		
Effective tax rate	33.7%	31.1%		
Profit attributable to equity holders before non-recurring items ⁴ , net of tax	721	700	+3.0%	+5.2%
Profit attributable to equity holders of the parent	637	700	-9.0%	-6.8%
Earnings per share -basic- (in euro)	4.21	4.60	-8.5%	
Proposed dividend per share (in euro)	2.40 ⁵	2.20	+9.1%	
Net cash provided by operating activities	945	1,017		
Gearing ⁶ (%)	11%	9%		
Debt Ratio ⁷	0.3	0.2		

Commenting on these figures, Sodexo CEO Michel Landel said:

"Sodexo continues to grow as a result of solid growth in North America, the UK (On-site Services) and Benefits and Rewards Services. We achieved this growth despite a tough environment in the commodities markets affecting the Remote Sites business and the impact of a difficult situation in France. Underlying organic growth excluding Remote Sites is 4%. The Group has also delivered another strong performance on operating profit before exceptional costs, up +8.2%, and +30 bps on the margin, excluding currencies, in line with our annual guidance.

The Adaptation and Simplification program is on track to deliver 200 million euro of annual savings in Fiscal 2018.

The first successes of the new organization by global segment were visible this year with the signature of the landmark Rio Tinto contract in March, followed by global agreements signed with Shell and Seadrill, as well as the further extension to global contracts with Pfizer or Unilever. We are proud of these major partnership agreements. This is both the result of the investments we have made over the past 10 years to build our integrated services offer, and the recognition of our technical expertise. It reflects our objective of improving the quality of life of the women and men we serve.

We are confident in the future, and for Fiscal 2017 aim for around 3% organic revenue growth and between 8% and 9% growth in operating profit, excluding the currency effect and exceptional expenses of the Adaptation and Simplification program."

¹ Change excluding currency effect calculated converting Fiscal 2016 figures at Fiscal 2015 rates, except for countries with hyperinflationary economies. As a result, for Venezuelan Bolivar, Fiscal 2016 and Fiscal 2015 figures in VEF have been converted at the exchange rate of USD 1 = VEF 645 vs. VEF 199 for Fiscal 2015.

² Organic growth is defined as growth at constant consolidation scope and exchange rates (converting Fiscal 2016 figures at Fiscal 2015 rates except for Benefits & Rewards in Venezuelan Bolivar).

³ Exceptional expenses are the costs of implementation of the Adaptation and Simplification program in Fiscal 2016 (108 million euro).

⁴ Non-recurring items: 108 million euro of exceptional expenses and 21 million euro of early debt reimbursement indemnity, both net of taxes (respectively 71 million euro and 13 million euro).

⁵ To be proposed at the Annual General Meeting on January 24, 2017.

⁶ Gearing=Net debt/Shareholders equity.

⁷ Net debt ratio = Net debt/EBITDA.

Highlights of the period

- Fiscal 2016 Revenues amounted to 20.2 billion euro, up +2.2% on Fiscal 2015 and organic growth of +2.5%.
- Organic growth for the On-site Services activity was +2.4%, reflecting:
 - North America up +3.8% with growth accelerating in both the Health Care and Seniors and Corporate, in which growth reached +7.1% as a result of new contracts such as Pfizer and United Airlines.
 - A strong United Kingdom growth, up +11.3% benefitting from the contribution of the Rugby World Cup and the ramp-up of several large Justice and Corporate contracts signed in the previous year, as well as strong new business in Education.
 - Continental Europe up +1.0%, due to some recovery in Corporate in most of the mature economies of the region, sustained growth in Germany, Russia and Eastern Europe. This performance was impacted by a difficult situation in France during the year but particularly in the fourth quarter, due to strikes, flooding and terrorism.
 - The Rest of the World, down -3.2%, was impacted by a -16% decline in the Remote Sites activity, resulting from the difficulties of the mining and petroleum industries, and the regions dependent upon those industries, but with signs of stabilization in the second half. Excluding Remote Sites, organic growth was +7.0%, with signs of a pickup in Brazil in the last quarter of the fiscal year.
- Organic revenue growth in the Benefits and Rewards Services activity was +4.7%, impacted by severe competitive pressures in Brazil and record low interest rates in Europe. Issue volume was up +6.9% organically, reflecting a resilient performance in all regions, with strong face value growth in Brazil, and particularly strong development in Mexico, Chile and Turkey.
- Operating profit before exceptional expenses rose to 1,203 million euro, up +8.2% excluding the currency effect, due to a combination of increased productivity, SG&A control and the first results of the Adaptation and Simplification program which delivered 32 million euro of savings in its first year.
- Operating margin before exceptional expenses was up +10 basis points to 5.9%, and up +30 basis points excluding the currency effect.
- Exceptional expenses related to the adaptation and simplification measures amounted to 108 million euro in Fiscal 2016. The program is being implemented over the period from September 2015 to February 2017 at a total cost of around 200 million euro, with 100% annual payback in Fiscal 2018.
- Net profit before non-recurring items (net of taxes) totaled 721 million euro, up +5.2% excluding the currency effect. After deducting exceptional expenses and exceptional indemnities on the debt restructuring, net of taxes, reported net profit was 637 million euro, down -9.0%.
- Free cash flow generation more than compensated investments and the share buy-backs during the year, and the Group's financial position remained strong, with net debt¹ at 407 million euro, gearing at 11% and the net debt ratio at 0.3.
- In March, Sodexo joined the CAC 40 index, thus confirming the regularity of its performance.
- The Group's corporate responsibility engagement is recognized both internally, with employee engagement up 9 points compared to 2014 at 68% in the latest engagement survey. Added to this, Sodexo was named global Industry Leader for the 12th consecutive year in the Dow Jones Sustainability index.
- Governance changes:

On January 26, 2016 after the Annual General meeting, **Ms. Sophie Bellon** became **Chairwoman** of the Board of directors, taking over from the Group's founder, **Mr. Pierre Bellon**, who has in turn, become Chairman Emeritus.

¹ Net debt: Group borrowing in the balance sheet less operating cash.

Mr. Emmanuel Babeau, Deputy Chief Executive Officer of Schneider Electric, in charge of Finance and Legal Affairs, was appointed to the Board by shareholders at the Annual General Meeting of January 26, 2016.

As part of the resolutions at the AGM on January 24, 2017 the Board will propose to shareholders the renewal as Directors of **Ms. Patricia Bellinger** and **Mr. Michel Landel**.

Mr. Paul Jeanbart, whose mandate ends after the AGM on January 24, 2017, has taken the decision not to seek reelection. The Board warmly thanks him for the quality of his contribution over many years to the Group's development.

Finally, the Board will propose the appointment as Director of **Ms. Cécile Tandeau de Marsac**, who currently holds the position of General Manager of Human Resources at Solvay. She will bring to the Board her Human Resources experience in large international Groups.

With these changes, the percentage of women on Sodexo's Board increases to 50%.

Outlook

The Board and Executive Committee are confident in the Group's capacity to grow the business. In Fiscal 2017, the stabilization of commodity markets which we have seen in the last quarters should provide the basis for the stabilization of the Remote sites activity, US Education will benefit from schools' new business and the comparative base in France is easier. The Adaptation and Simplification program is on track. The Brazilian real seems to be recovering. The management team is focused on accelerating growth and improving margins.

Despite challenging revenues comparable in the first half, the Group is confident in achieving the following Fiscal 2017 objectives:

- **Organic revenue growth of around 3%;**
- **8% to 9% growth in operating profit excluding the currency effect and exceptional expenses related to the Adaptation and Simplification program.**

Confident in the future, the Group confirms its medium-term objectives of:

- **Average annual revenue growth, excluding currency effect, of between 4% and 7%;**
- **Average annual growth in operating profit, excluding currency effect, of between 8% and 10%.**

Conference call

Sodexo will hold a conference call (in English) today at 9:00 a.m. (Paris time), to comment on its results for Fiscal 2016. The presentation can be followed via live webcast on the Group website, www.sodexo.com.

The **press release, presentation and webcast will be available on the Group website www.sodexo.com** in both the "Latest News" section and the "Finance - Financial Results" section. A recording of the conference call will be available until November 23, 2016 by dialing **+ 44 (0) 20 3427 0598**, followed by the passcode **9302765**.

Financial calendar

1 st quarter revenues – Fiscal 2017 and Presentation of new Segment reporting	January 12, 2017
Annual Shareholders' Meeting	January 24, 2017
Dividend Ex-date	February 6, 2017
Dividend Record date	February 7, 2017
Dividend payment date	February 8, 2017
1 st half results – Fiscal 2017	April 13, 2017
Nine month revenues, Fiscal 2017	July 6, 2017
Annual results, Fiscal 2017	November 16, 2017
Annual Shareholders' Meeting 2018	January 23, 2018

About Sodexo

Founded in Marseille in 1966 by Pierre Bellon, Sodexo is the global leader in services that improve Quality of Life, an essential factor in individual and organizational performance. Operating in 80 countries, Sodexo serves 75 million consumers each day through its unique combination of On-site Services, Benefits and Rewards Services and Personal and Home Services. Through its more than 100 services, Sodexo provides clients an integrated offering developed over 50 years of experience: from foodservices, reception, maintenance and cleaning, to facilities and equipment management; from Meal Pass, Gift Pass and Mobility Pass benefits for employees to in-home assistance, child care centers and concierge services. Sodexo's success and performance are founded on its independence, its sustainable business model and its ability to continuously develop and engage its 425,000 employees throughout the world. Sodexo is included in the CAC 40 and DJSI indices.

Key figures (as of August 31, 2016)

- 20.2 billion** euro in consolidated revenues
- 425,000** employees
- 19th** largest employer worldwide
- 80** countries
- 75 million** consumers served daily
- 15.2 billion** euro in market capitalization (as of November 16, 2016)

Forward-looking statements

This press release contains statements that may be considered as forward-looking statements and as such may not relate strictly to historical or current facts. These statements represent management's views as of the date they are made and Sodexo assumes no obligation to update them. The reader is cautioned not to place undue reliance on these forward-looking statements.

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FINANCIAL REPORT FISCAL 2016

Fiscal year ended August 31, 2016

FISCAL 2016 ACTIVITY REPORT

FISCAL 2016 YEAR HIGHLIGHTS

A solid performance

In Fiscal 2016 all activities contributed to the +2.5% organic growth¹ in revenue except for the Remote Sites activity, which was down by -16%, affected by a severe decline in the mining and oil and gas industries. Excluding the Remote Sites activity, the underlying growth was +4%, benefiting for about +0.5% from the success of the Rugby World Cup event in the United Kingdom in the first quarter and a solid performance from Benefits and Rewards.

Geographically, there was an improvement in growth in North America, strong growth in the United Kingdom and Ireland, and Continental Europe was up +1.0% with some recovery in Corporate in mature economies and sustained growth in Germany and Russia, offset by a difficult situation in France, especially in the fourth quarter.

Operating profit excluding the currency effect and before exceptional expenses², was up +8.2% in line with the objective set at the beginning of the year. The operating margin improved by +30 basis points, excluding currency effect and exceptional expenses, benefiting from productivity initiatives and the first results of the Adaptation and Simplification program launched at the beginning of the fiscal year. A total of 108 million euros of exceptional expenses were incurred during the year on this program. Net financial expense increased slightly due to 21 million euros of exceptional indemnities resulting from the early reimbursement of some US private placement debt as part of a debt restructuring program to extend maturities and reduce financing rates. The tax charge was also up slightly at 33.7% against an exceptionally low tax rate of 31.1% last year. As a result, Group net profit declined by -9%. Net profit before these non-recurring items³ and excluding currency fluctuations, was up +5.2%.

Confident in the outlook for the Group, the Board has decided to propose a dividend of 2.40 euro per share, up +9.1%. This implies a 57% pay-out ratio while maintaining circa 50% pay-out ratio on net profit before non-recurring items.

¹ Organic growth is defined as growth at constant consolidation scope and exchange rates (converting Fiscal 2016 figures at Fiscal 2015 rates, except for Benefits & Rewards in Venezuelan Bolivar (Fiscal 2016 and Fiscal 2015 revenues and issue volume in VEF have been converted at the exchange rate of USD 1 = VEF 645 vs. VEF 199 for Fiscal 2015).

² Exceptional expenses are the costs of implementation of the Adaptation and Simplification program in Fiscal 2016 (108 million euro).

³ Non-recurring items: 108 million euro of exceptional expenses and 21 million euro of early debt reimbursement indemnity, both net of taxes (respectively 71 million euro and 13 million euro).

Fiscal 2016 Free cash flow amounted to 595 million euro, after unusually high capex linked to the start-up of the Rio Tinto contract and Rugby World Cup timing impact. Net debt¹ was up slightly at 407 million euro, and the balance sheet remained strong with gearing² at 11% and a net debt ratio³ of 0.3.

Segmentation enhancing business opportunities

Clients seeking productivity and global footprint in Energy and Resources:

In March, Sodexo was awarded a ten-year contract with leading global mining company Rio Tinto, estimated at 2.5 billion Australian dollars (approximately 1.8 billion euro) over 10 years, to deliver integrated facilities management services in the company's extensive operations in Australia's Pilbara region. This is the largest contract of its kind for Sodexo. Rio Tinto's assets in this region comprise ports, towns, aerodromes, operational sites, accommodation sites, commercial buildings and residential properties. The Group was successfully awarded the contract after demonstrating a number of strengths in key areas such as consistency and quality in services, alignment with improving quality in village life and strong engagement with local communities. The Sodexo teams will provide project management and integration, building and grounds maintenance, accommodation and catering, village and town services, cleaning, aerodrome management, transport and property management. The different start-up phases are progressing in line with expectations and the contract should be fully ramped-up during the course of fiscal 2017. The capacity of the global Energy and Resources segment team to mobilize more than 100 experts around the Group was key to winning this exceptionally large contract.

The crisis in the energy and resources sector has helped clients to recognize the advantages of global agreements with their service-providers. As a result, in September, the Group signed contract extensions with Seadrill, leading offshore drilling contractor, and Shell. The Seadrill contract spans 5 years, 90% of the company's global fleet and a total value of 200 million euro. The Shell contract represents 135 million euro over five regions worldwide. These wins are driven by Sodexo's commitment to safety and performance, a world-class service culture, technical expertise in the segment and a holistic approach to Quality of Life.

Further contract extensions in Facilities Management for existing Corporate clients:

Relationships with existing worldwide clients are also continuing to develop. Integrated facilities management contracts have been signed with Danone and Unilever in Indonesia, Huawei in Romania, Colombia and Malaysia and Pfizer in 12 countries in Asia. The global airport lounge offer for clients is attracting names such as United Airlines. In all these examples the key has been the interest for the client of a global standardized integrated services offer, adapted to the local environment.

Driving segment development in white spaces:

The Group signed its first contract in the **Australian justice market** for a five-year term, and two five-year extension options, with the Western Australian Government to manage and operate the new 254 bed women's Melaleuca Remand and Reintegration Facility. As part of the contract, which starts up in December 2016, Sodexo will be developing partnerships with non-government organizations to provide culturally appropriate rehabilitation and reintegration services and programs to help inmates successfully reintegrate the community and reduce reoffending risk. The Group's long and successful track record of managing and operating more than 120 facilities in the justice sector internationally was key to winning this contract. The 20 year UK experience of managing custodial and through-the-gate services for women offenders was an essential element of the bid.

¹ Group borrowing on the balance sheet less operating cash.

² Gearing: Net Debt/Shareholders equity.

³ Net Debt ratio: Net Debt/EBITDA.

Transfer of expertise into new markets:

Sodexo has installed and is now operating, as part of its Clinical Technology Solutions, a Lithotripter (medical ultrasound equipment for kidney treatments) for the Makati Medical Center, one of the top **hospitals in the Philippines**. This is a 5-year contract in which Sodexo has recommended the equipment, procured the device, trained the personnel and is now providing the Lithotripsy and associated services. Without the segment expertise and the sharing of experience, this contract would not have been possible.

The Group's corporate responsibility engagement is confirmed and recognized both internally and externally:

Employee engagement up +9 points since 2014 to 68%. The latest employee engagement survey was proposed for the first time, to all employees around the world with more than six months within the Group. With a response rate of 57% and a nine-point increase in the engagement rate to 68%, the digital survey was a success. The external benchmark of 60% and the Group's internal objective of 65% have been exceeded. Other learnings from the survey are that 80% of employees consider Sodexo to be a socially and environmentally responsible company and 88% prefer working for Sodexo than for a competitor.

In terms of **the financial community**, the Dow Jones Sustainability index has confirmed Sodexo as industry leader for the 12th consecutive year. Sodexo was one of only eight companies worldwide that achieved all three top ranks in the 2016 Robeco SAM yearbook: Gold Class, Industry Leader and Industry Mover. The Group is also confirmed as a component of the STOXX® Global ESG Leaders index and the Ethibel Sustainability Index (ESI) Excellence Europe.

At the **United Nations Women's Empowerment Principles awards**, Michel Landel, CEO, and Janet Awad, regional Chair of Latin America were awarded the CEO Leadership Award which recognizes a company for its demonstrated commitment to and implementation of policies that advance and empower women in the workplace, market place and community. In particular, the United Nations acknowledged the Sodexo Women's International Forum for Talent (SWIFt), which underpins Sodexo's strategy for improving the Group's gender balance.

The World Wildlife Fund (WWF) awarded the maximum score to Sodexo on its **Palm Oil Buyers Scorecard** this year, reflecting the very active and long-term approach that Sodexo has taken to progressively increasing use of responsible palm oil.

Sodexo joined forces with Ardo, McCain, PepsiCo, SCA, Unilever Food Solutions and the WWF to launch the **International Food Waste Coalition** in 2015, in order to combat food waste throughout the food services value chain.

The Group also made a commitment to purchase exclusively **sustainable fish and seafood** in the 80 countries where the Group operates and to reduce CO₂ emissions by 34% by 2020, especially in the supply chain and by contributing to its clients' emissions reduction initiatives.

Sodexo and the WWF have worked together to design and deploy best practices to lessen the environmental impact of the Group's services at its client sites, including through a program to reduce food waste and the adoption of technologies that will cut energy use by 12% to 45%.

FISCAL 2016 PERFORMANCE

Consolidated income statement

(millions of euro)	Year ended August 31			Change at constant exchange rates*
	2016	2015	Change	
Revenues	20,245	19,815	+2.2%	+2.6%
Organic growth	2.5%	2.5%		
Operating profit before exceptional expenses ⁽¹⁾	1,203	1,143	+5.2%	+8.2%
Operating margin before exceptional expenses ⁽¹⁾	5.9%	5.8%	+10 bps	+30 bps
Exceptional expenses ⁽¹⁾	(108)	(0)		
Operating profit (reported)	1,095	1,143		
Interest income	34	65		
Financial Expense	(145)	(172)		
Net Financial Expense	(111)	(107)		
Share of profit of other companies consolidated by the equity method	7	7		
Profit before tax	991	1,043	-5.0%	
Income tax expense	(330)	(320)		
<i>Effective tax rate</i>	<i>33.7%</i>	<i>31.1%</i>		
Profit for the period	661	723		
Profit attributable to non-controlling interests	24	23		
GROUP PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT, BEFORE NON-RECURRING ITEMS ⁽²⁾, NET OF TAX	721	700	+3.0%	+5.2%
GROUP NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (REPORTED)	637	700	-9.0%	-6.8%
Earnings per share (in euro)	4.21	4.60	-8.5%	
Dividend per share (in euro)	2.40 ⁽³⁾	2.20	+9.1%	

* Change excluding currency effect calculated converting Fiscal 2016 figures at Fiscal 2015 rates, except for Venezuelan Bolivar. All Fiscal 2016 and Fiscal 2015 figures in VEF have been converted at the exchange rate of USD 1 = VEF 645 vs. VEF 199 for Fiscal 2015.

¹ Exceptional expenses are the costs of implementation of the Adaptation and simplification program in Fiscal 2016 (108 million euro)

² Non-recurring items: 108 million euro of exceptional expenses and 21 million euro of early debt reimbursement indemnity, both net of taxes (respectively 71 million euro and 13 million euro).

³ Subject to approval at the Annual Shareholders' Meeting on January 24, 2017

Currency effect

Sodexo operates in 80 countries. The percentage of total revenues and operating profit denominated in the main currencies are as follows:

	Revenues	Operating profit before exceptional costs
U.S. dollar	41%	45%
Euro	26%	14%
UK pound sterling	10%	10%
Brazilian real	4%	15%

The currency effect is determined by applying the previous year's average exchange rates to the current year figures except for Benefits & Rewards in Venezuelan Bolivar. All Fiscal 2016 and Fiscal 2015 figures in VEF have been converted at the exchange rate of USD 1= VEF 645 vs. VEF 199 for Fiscal 2015.

Impact of exchange rates	Change vs. the euro (in %, average rate)	Change vs. the euro (in %, closing rate)	Impact (in millions of euro)		
			Revenues	Operating profit before exceptional costs	Net profit
Euro/U.S. dollar	+4.8%	+0.7%	381	25	10
Euro/Brazilian real	-18.9%	+12.9%	(211)	(42)	(25)
Euro/UK pound sterling	-2.7%	-14.2%	(57)	(4)	(3)

During Fiscal 2016, the U.S. dollar stabilized, resulting in a much less significant year on year impact than in the preceding year. However, the Brazilian real declined significantly from July 2015, resulting in an average decline in Fiscal 2016 of -18.9%. Nevertheless, the Brazilian real picked up significantly from March 2016, and the balance sheet closing rate for Fiscal 2016 actually increased by +12.9% relative to the closing rate for Fiscal 2015. The trends were the opposite in the UK, with the Pound Sterling falling considerably against the euro from June 2016, after the Brexit referendum.

In terms of the Venezuelan Bolivar, the Group considers that the best estimate of the exchange rate at which funds from its activities in Venezuela could be repatriated is the DICOM rate. The exchange rate used for the year ended August 31, 2016 is therefore 1 U.S. dollar = 645 bolivars (1 euro = 718 bolivars) relative to the Fiscal 2015 rate of 1 U.S. dollar = 199 bolivars. The effect of this depreciation is not material at Group level, as the Group's operations in Venezuela now represent just 0.1% of consolidated revenues and less than 0.4% of consolidated operating profit.

Revenues

Fiscal 2016 consolidated revenues totaled 20.2 billion euro, increasing +2.2% year-on-year. Organic revenue growth was +2.5%. The currency effect was negative at -0.4%, slightly offset by a +0.1% contribution from acquisitions and disposals of subsidiaries.

Revenues by activity

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015	Organic growth ¹	Reported change
On-site Services				
North America	8,629	7,972	+3.8%	+8.2%
Continental Europe	5,690	5,686	+1.0%	+0.1%
United Kingdom and Ireland	2,008	1,832	+11.3%	+9.6%
Rest of the World	3,143	3,504	-3.2%	-10.3%
Total On-site Services	19,470	18,994	+2.4%	+2.5%
Benefits and Rewards Services	780	827	+4.7%	-5.7%
Intragroup eliminations	(5)	(6)		
CONSOLIDATED TOTAL	20,245	19,815	+2.5%	+2.2%

¹ Organic growth is defined as growth at constant exchange rates (converting Fiscal 2016 figures at Fiscal 2015 rates) and consolidation scope, except for Benefits & Rewards in Venezuelan Bolivar. Fiscal 2016 and Fiscal 2015 revenues and issue volume in VEF have been converted at the exchange rate of USD 1 = VEF 645 vs. VEF 199 for Fiscal 2015.

1. On-site Services

On-site Services organic revenue growth was +2.4%, reflecting:

- in the United Kingdom, the contribution of the Rugby World Cup contract in the first quarter and the ramp-up of the many new contracts signed in Fiscal 2015,
- solid momentum in North America, with a return to growth in the Health Care segment and acceleration in Corporate,
- a modest upturn in activity in the Corporate segment in Continental Europe except in France, which was affected by the terrorism, flooding and strikes, particularly in the last quarter,
- a -16% decline in the Remote Sites activity in the Rest of the World due to the difficulties in the energy and resources sectors.

Breakdown by segment:

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015	Organic growth
Corporate	9,995	9,989	+2.4%
Health Care and Seniors	5,074	4,786	+3.4%
Education	4,401	4,219	+1.2%
TOTAL	19,470	18,994	+2.4%

The breakdown in the +2.4% organic growth in On-site Services can be analyzed in several different ways, by type of service or by the combination of retention and development.

At +4.5%, facilities management services organic growth was significantly better than the +1.5% increase recorded for foodservices. Non-food services now represent 30% of On-site Services sales.

In Fiscal 2016, client retention was stable at 93.1%. This stability masks an improvement in North America and the UK resulting from larger and larger contracts which are renewed less regularly and a decline in retention in the Rest of the World, particularly in Latin America. The development rate of new business at 7.2% was down 30 basis points: significant new business in the Rest of the World (including the Rio Tinto contract) was offset by slow new business particularly in Universities in North America, and in the United Kingdom and Ireland due to the focus on the Fiscal 2015 start-ups. Elsewhere, new business was relatively stable. Comparable unit growth was +2.1%, similar to the +2.2% in Fiscal 2015. The significant volume decline in Remote Sites was compensated by more contract extensions in integrated facilities management services to existing clients in all other segments.

1.1 North America

Revenues

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015	Organic growth	Acquisitions	Currency effect	Total growth
Corporate	2,264	2,040	+7.1%			
Health Care and Seniors	3,171	2,889	+4.9%			
Education	3,194	3,043	+0.4%			
TOTAL	8,629	7,972	+3.8%	+0.1%	+4.3%	+8.2%

Fiscal 2016 On-site Services revenues in North America totaled 8.6 billion euro, an increase of +8.2% over the prior year period. Organic growth for the period was +3.8%, with improved growth in the Health Care and Seniors as well as Corporate compared with Fiscal 2015.

In the **Corporate** segment, organic growth was +7.1%, reflecting sustained demand for integrated service offers among existing and new Corporate clients, as well as solid same site growth in the Defense segment.

Health Care and Seniors organic growth improved steadily during Fiscal 2016. The +4.9% increase for Fiscal 2016 reflected new contracts won in Fiscal 2015 and Fiscal 2016 as well as strong comparable unit sales growth.

In **Education**, organic revenue growth was +0.4%. The increase reflected the combination of solid same site growth in demand in the Universities but modest sales activity. The schools selling season and business development has improved in fiscal 2016.

1.2 Continental Europe

Revenues

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015	Organic growth	Acquisitions	Currency effect	Total growth
Corporate	3,477	3,463	+1.7%			
Health Care and Seniors	1,301	1,327	-1.3%			
Education	912	896	+1.8%			
TOTAL	5,690	5,686	+1.0%	-0.4%	-0.5%	+0.1%

In **Continental Europe**, revenues amounted to 5.7 billion euro, stable on the previous year. Organic growth was +1.0%, reflecting some recovery in Corporate activity in most other mature countries in the region, and a strong growth in Germany, Russia and in the developing economies. This performance was partially compensated by a difficult situation in France, and more particularly in the fourth quarter due to strikes, flooding and terrorism.

In the **Corporate** segment, organic growth of **+1.7%** was attributable to modest growth in revenues at existing sites in Southern Europe and the Nordic countries; and continued robust growth in developing economies, in particular in Russia and Turkey, supported by the continued success of the integrated services offer. In France, the Justice activities were impacted by the loss of a prison contract, and Sports and Leisure, in particular the boats on the Seine, was significantly impacted by the disappointing Summer tourist season in Paris resulting from the flooding in June and the terrorist attacks in November 2015 and July 2016.

The **-1.3%** contraction in **Health Care and Seniors** revenues was mainly due to weak growth at existing sites and a selective approach to new contracts, especially in France impacted by severe cost cutting and a lack of new development opportunities in the public hospitals segment. The Korean contract in Seniors, won last year, is ramping up successfully. Good results were achieved in the Nordic countries, with the start-up of a contract to provide medical equipment to individuals for the province of Östergötland in Sweden.

Education revenues rose by **+1.8%**, led by higher volumes in France and Germany.

1.3 United Kingdom and Ireland

Revenues

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015	Organic growth	Acquisitions	Currency effect	Total growth
Corporate	1,483	1,332	+14.2%			
Health Care and Seniors	366	359	-0.9%			
Education	159	141	+15.1%			
TOTAL	2,008	1,832	+11.3%	+1.1%	-2.8%	+9.6%

Revenues in the **United Kingdom and Ireland** increased **+9.6%** to reach 2.0 billion euro. Organic growth of **+11.3%** was in part due to the significant contribution of the Rugby World Cup contract in the first quarter of the year. However, even without the Rugby World Cup effect, the organic growth trend was a solid **+5.3%** due to the ramp-up of the many new contracts won in Fiscal 2015 and strong retention during the year. The result of the Brexit referendum has not had an impact on activity although it may have slowed down some public sector decision-making in some of the bids.

In the **Corporate** segment, organic revenue growth was **+14.2%**. This very strong performance was largely attributable to the services provided in connection with the Rugby World Cup in the first quarter, which contributed 131 million euro to revenues, or **+8.3%** of the organic growth. However, even without the Rugby World Cup, organic growth was a solid **+5.9%** due to the progressive start-up of major contracts signed in Fiscal 2015 (Transforming Rehabilitation, Diageo...) and contract extensions with existing clients for a wider scope of facilities management services. Business development has been more modest in Fiscal 2016 because of the heavy commitment of resources to previous year start-ups.

Health Care and Seniors showed an organic decline of **-0.9%**. The ramp-up of Imperial College Hospitals in London had a significant contribution to growth over the last two years. There was no start-up this year in the absence of attractive development opportunities. Same site sales have been solid but not enough to compensate the losses during the year.

In **Education**, organic growth of **+15.1%** reflected solid new business with, in particular, the start-up of York St John and Northumbria universities and several new school contracts.

Brexit:

In June 2016, the United Kingdom voted to leave the European Union. Sodexo has been present in the United Kingdom since 1988 and has around 35,000 employees there today. The Group's business should not be impacted materially by the United Kingdom leaving the European Union. The Group is a local player, working with local suppliers and employees, and very often for Government authorities and Government services. Of course, growth in activity will depend upon growth in GDP and employment in the country.

1.4 Rest of the World (Latin America, Africa, Middle East, Asia, Australia and Remote sites)

Revenues

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015	Organic growth	Acquisitions	Currency effect	Total growth
Corporate	2,771	3,154	-4.9%			
Health Care and Seniors	236	211	+19.4%			
Education	136	139	+0.3%			
TOTAL	3,143	3,504	-3.2%	+0.3%	-7.4%	-10.3%

In the Rest of the World region (Latin America, Africa, Middle East, Asia, Australia and Remote Sites), Fiscal 2016 revenues amounted to 3.1 billion euro, down -10.3%. In terms of organic change compared with the previous year, activity was down -3.2%. The region was severely affected by the decline in Remote Site revenues of -16%. Excluding Remote Sites, organic growth from the region remained strong at +7.0%.

Corporate revenues fell by **-4.9%** organically due to:

- In Remote Sites, severe reductions in oil and commodity prices forced clients operating in these industries to revise down their production levels which in turn led to a corresponding reduction in required service levels. In Chile, several mining clients sought to diversify their suppliers in a strained economic and social environment. As a result of these issues, Remote Site revenues in the Rest of the World region were down -16% organically. Activity stabilized in the third quarter relative to the previous quarter and, from the fourth quarter, the comparable base has become less challenging. The Rio Tinto contract signed in March contributed to the activity in July and August. The contract will have a more significant impact in fiscal 2017, as will the Seadrill and Shell contract extensions signed in September 2016.
- The underlying activity of the rest of the On-site activity in the region is solid with some strong business development and cross-selling in the Asia-Pacific region and more modestly in the Middle East and Africa. In the last quarter, some improvement in activity in Brazil compensated the slower demand in the Middle East and Africa, where economies are beginning to feel the impact of the sustained weakness in the oil price.

In **Health Care and Seniors**, organic growth of **+19.4%** was attributable to some contract wins and same site sales growth, especially in Latin America and Asia.

Education revenues were stable relative to Fiscal 2015. Solid growth in Asia was offset by a contract exit in Africa.

2. Benefits and Rewards Services

Benefits and Rewards Services revenues were 780 million euro, down -5.7% due to a sharp decline particularly in the Brazilian real. Issue volume was up +6.9% organically, reflecting a relatively resilient performance in all regions, with strong face value growth in Brazil, solid growth in Europe and particularly strong development in Mexico, Chile and Turkey. On the other hand, organic revenue growth was more modest at +4.7%, impacted by severe pricing competitiveness in Brazil, particularly from the smaller players, and record low interest rates in Europe.

Issue volume¹

(in millions of euro)	Fiscal 2016	Fiscal 2015	Organic growth ²	Acquisitions	Currency effect ¹	Change
Latin America	6,678	7,526	+7.8%			
Europe and Asia	9,593	8,894	+6.2%			
TOTAL	16,271	16,420	+6.9%	+1.7%	-9.5%	-0.9%

Revenues

(in millions of euro)	Fiscal 2016	Fiscal 2015	Organic Growth ²	Acquisitions	Currency effect ¹	Change
Latin America	376	431	+6.1%			
Europe and Asia	404	396	+3.1%			
TOTAL	780	827	+4.7%	+0.2%	-10.6%	-5.7%

In **Latin America** organic growth was solid, with an increase of **+7.8%** in issue volume and **+6.1%** in revenues.

Higher face values were an important growth driver in the region. In Brazil, the progressive rise in unemployment led to a decline in the number of beneficiaries at existing clients. As a result, the environment became more and more competitive throughout the year as the smaller players, in particular, were aggressively seeking new business. Face values rose by close to inflation which more than compensated the decline in the number of beneficiaries.

Growth in Mexico and Chile was particularly strong, with face value increases, strong new business and an increase in penetration in both markets.

Organic growth is calculated converting Fiscal 2016 figures at Fiscal 2015 rates, except for Venezuelan Bolivar. Fiscal 2016 and Fiscal 2015 figures in VEF have been converted at the exchange rate of USD 1 = VEF 645 vs. VEF 199 for Fiscal 2015.

¹ Issue volume corresponds to the total face value of service vouchers, cards and digitally-delivered services issued by the Group (Benefits and Rewards Services activity) for beneficiaries on behalf of clients.

² Organic growth is defined as growth at constant exchange rates and consolidation scope, except for Benefits & Rewards in Venezuelan Bolivar. Fiscal 2016 and Fiscal 2015 revenues and issue volume in VEF have been converted at the exchange rate of USD 1 = VEF 645 vs. VEF 199 for Fiscal 2015.

In **Europe and Asia**, issue volume organic growth was a strong **+6.2%**. Organic growth in revenues was more modest at **+3.1%**. Lowest-ever interest rates in mature Europe have helped to create a gap between issue volume and revenue growth. However, demand continued to be strong for existing and new products in all markets, market penetration continued to develop in Asia and momentum remained strong in Turkey.

Operating profit

Fiscal 2016 operating profit before exceptional expenses amounted to 1,203 million euro, up +8.2% excluding the currency effect and in line with the Group's objective for the year. The operating margin before exceptional expenses was 5.9%, up +10 basis points relative to the previous year. Excluding the currency effect of in particular, the weakness of the Brazilian real, the margin increased +30 basis points.

This strong improvement in margins reflects the ongoing efficiency initiatives and is helped by the Adaptation and Simplification program launched in November 2015. The first savings of the plan amounted to 32 million euro and were delivered in the second half of Fiscal 2016.

After deducting 108 million euro in exceptional expenses related to these adaptation and simplification measures, operating profit amounted to 1,095 million euro against 1,143 million euro in Fiscal 2015.

All operating profit amounts in the rest of this report are stated excluding exceptional expenses¹.

Operating profit by activity¹

(in millions of euro)	Operating profit Fiscal 2016	Operating profit Fiscal 2015	Change in Operating profit (excluding currency effect)	Change in Operating profit	Operating margin Fiscal 2016	Change in operating margin (excluding currency effect ²)
On-site Services	1,082	992	+7.6%	+9.1%	5.6%	+30 bps
North America	568	499	+9.3%	+13.8%	6.6%	+30 bps
Continental Europe	281	238	+18.4%	+18.1%	4.9%	+70 bps
United Kingdom and Ireland	137	94	+50.4%	+45.7%	6.8%	+170 bps
Rest of the World	96	161	-38.6%	-40.4%	3.1%	-170 bps
Benefits and Rewards Services	262	285	+8.8%	-8.1%	33.6%	+110 bps
Corporate expenses	(136)	(128)				
Intragroup eliminations	(5)	(6)				
OPERATING PROFIT BEFORE EXCEPTIONAL EXPENSES	1,203	1,143	+8.2%	+5.2%	5.9%	+30 bps

¹ Excluding 108 million euro in exceptional expenses related to the Adaptation and Simplification program.

² Change excluding currency effect calculated converting Fiscal 2016 figures at Fiscal 2015 rates, except for Venezuelan Bolivar.

Fiscal 2016 and Fiscal 2015 figures in VEF have been converted at the exchange rate of USD 1 = VEF 645 vs. VEF 199 for Fiscal 2015.

On-site Services margins continued to grow steadily led by productivity gains, enhanced operating efficiency and the first contribution from the Adaptation and Simplification program. The performance by region is as follows:

- In **North America** operating profit increased by +9.3% excluding the currency effect and operating margin rose by +30 basis points, reflecting a significant reduction in SG&A costs and strong contract management.
- In **Continental Europe** the +18.4% growth in operating profit and +70 basis points increase in operating margin, excluding currency effect, were attributable to improved On-site productivity and efficient management of food purchasing costs as well as the ongoing effect of a more selective approach to contract bidding.
- In the **United Kingdom and Ireland**, operating profit rose by +50.4% excluding the currency effect, compared to a low comparative base in Fiscal 2015 impacted by significant mobilization costs of new contracts. The margin increased +170 basis points. This strong performance was due to a focus on overheads and operational profitability as well as the contribution of a successful Rugby World Cup event.
- The Operating profit declined in the **Rest of the World** region by -38.6% excluding currency effects, reflecting the difficult economic environment in the mining and oil and gas industries and contract exit costs in Latin America. The effective alignment of operating expenses in the Remote Sites activity was not enough to offset the sharp decline in volumes. In the second half, a small underlying improvement in margins in the Remote Sites business, as volumes stabilized and cost management caught up, was offset by the mobilization costs of the new Rio Tinto contract as well as an investment in the Asian technical platform.

In **Benefits and Rewards Services**, operating profit and margin were adversely affected by the -18.9% decline in the Brazilian real relative to the euro. Excluding the negative currency effect, the operating profit rose by +8.8% and margin by +110 basis points. This strong performance was attributable to tight control of overheads and continued optimization of processing costs.

Group net profit

The **Operating Profit** after exceptional expenses of 108 million euros was 1,095 million euros down -4.2%.

Net financing costs increased by 4 million euro. Net borrowing costs fell substantially by 41 million euro due to a lower average debt during the year and lower rates, with the average cost of debt down from 3.8% in Fiscal 2015 to 3.2% in Fiscal 2016. However, other financial charges included a 21million euro exceptional indemnity for the early redemption of 208 million dollars of US private placement debt, at high interest rates, as part of an ongoing debt restructuring program, to increase maturities and lower interest rates. This will be more than offset over future years by the reduction in future interest expenses.

The **effective tax rate** increased to 33.7% from an exceptionally low rate in Fiscal 2015 due in particular to the use of previously unrecognized tax loss carry-forwards.

The share of **profit of other companies consolidated by the equity method** was stable at 7 million euro. Profit attributed to non-controlling interests were also stable at 24 million euro.

As a result, **Group net profit** was 637 million euro, down -9%. **Group net profit before non-recurring items** (net of taxes) amounted to 721 million euro, an increase of +3.0% at current rates or +5.2% excluding the currency effect. Non-recurring items were exceptional expenses of 108 million euro and debt reimbursement indemnity of 21 million euro, respectively 71 and 13 million-euro net of tax.

Earnings per share

Earnings per share before non-recurring items amounted to 4.77 euro, up +3.7%, and after non-recurring items to 4.21 euro, down -8.5%. The small accretion relative to change in net profit (-9%) is due to the effect of the 300 million euro share buy-back during the year, net of the lower number of treasury shares carried resulting in a lower weighted average number of shares.

Proposed dividend

At the annual Shareholder's Meeting to be held on January 24, 2017, the Board of Directors will recommend paying a dividend of 2.40 euro per share for Fiscal 2016 and increase of +9.1% over the prior year. This proposal reflects Sodexo's policy of maintaining regular growth in dividend in line with underlying profits growth. The proposed dividend implies a 57% pay-out ratio on reported figures and a stable pay-out ratio before non-recurring items at ≈50%.

Consolidated financial position

Cash flows

Cash flows for the period were as follows:

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015
Operating cash flow	1,019	973
Change in working capital*	(74)	44
Net cash provided by operating activities*	945	1,017
Net capital expenditure	(398)	(353)
Less Change in financial assets related to the Benefits and Rewards Services	48	24
Free cash flow	595	688
Net acquisitions	(42)	(49)
Share buy-backs	(300)	-
Dividends paid	(355)	(300)
Other changes in shareholders' equity	80	(23)
Other changes (including scope and exchange rates)	(45)	(284)
(Increase)/decrease in net debt	(67)	32

* Including changes in financial assets related to the Benefits and Rewards Services activity (48 million euro in Fiscal 2016 and 24 million euro in Fiscal 2015).

Net cash provided by operating activities totaled 945 million euro down -7.1%. The Adaptation and Simplification program and some negative currency effects had an adverse impact on operating cash flow. Working capital was affected by the Rugby World Cup, for which much of the cash came in Fiscal 2015 and most of the spend was in Fiscal 2016. Client payment delays also increased somewhat, particularly in North America.

Net capital expenditure, including client investments amounted to 398 million euro, representing 2% of revenues compared to 1.8% last year. This increase is principally linked to the investments of 64 million euro for the Rio Tinto contract start-up.

Operating free cash flow amounted to 595 million euro, down from 688 million euro in Fiscal 2015. This variance is more than explained by the net impacts of Rugby World Cup for 51 million euro and Rio Tinto mobilization for 65 million euro.

Net acquisitions and disposals of subsidiaries represented a net spend of 42 million euro. After taking into account share buybacks of 300 million euro and dividend payments of 355 million euro, consolidated net debt only rose during the year by 67 million euro to 407 million euro at August 31, 2016.

Acquisitions for the period

During Fiscal 2016, the Group strengthened its presence in the Benefits and Rewards Services market in Portugal. In Personal and Home Services, the Comfort Keepers subsidiary strengthened its presence in the United States and Ireland. Total outlays for acquisitions in the first half of Fiscal 2016, less the proceeds from the sale of a few small businesses, amounted to 42 million euro.

2016 Share buy-back program

On November 19, 2015, Sodexo announced a 300 million euro share buy-back program reflecting the strong balance sheet at Fiscal 2015 year-end and the Board's confidence in the future of the Group. The share purchases were completed in April 2016 and 3,390,886 shares, representing 2.2% of the capital, were cancelled in June 2016.

Condensed consolidated statement of financial position at August 31, 2016

<i>(in millions of euro)</i>	August 31, 2016	August 31, 2015		August 31, 2016	August 31, 2015
Non-current assets	7,498	7,334	Shareholders' equity	3,668	3,710
Current assets excluding cash	4,486	4,396	Non-controlling interests	34	34
Cash	1,375	2,008	Non-current liabilities	3,549	3,593
Restricted cash Benefits and Rewards	507	439	Current liabilities	6,907	7,140
Financial assets Benefits and Rewards	292	300			
Total assets	14,158	14,477	Total liabilities and shareholders' equity	14,158	14,477
			Gross debt	2,553	3,047
			Net debt	407	339
			Gearing	11%	9%
			Net debt ratio	0.3	0.2

As of August 31, 2016, net debt was 407 million euro, representing a gearing of 11%, compared to 9% as of August 31, 2015. The Group's financial position remains strong with cash flow covering most of the investments, the dividend and the 300 million euro share buy-back program. Also in Fiscal 2016, the Group reimbursed 526 million euro of its debt, of which 184 million euro was early reimbursement, part of a debt restructuring program aimed at extending maturities and benefiting from extremely low interest rate opportunities. As a result, at year end, both the cash and the gross debt levels had fallen relative to the end of the previous year. The average cost of debt fell from 3.8% for Fiscal 2015 to 3.2% in Fiscal 2016 and the pro forma rate after refinancing is estimated at 2.7%.

At the end of Fiscal 2016, the Group had unused lines of credit totaling 1,168 million euro.

The operating cash position totaled 2,146 million euro, of which 1,498 million euro for Benefits and Rewards Services (including restricted cash for 507 million euro and financial assets for 292 million euro).

Subsequent events

- On September 29, 2016 Sodexo redeemed in advance a further 108 million U.S. dollars of its March 2011 U.S. private placement, following on from the 208 million U.S. dollars early redemption in August 2016. On October 14, 2016 the Group issued 600 million euro worth of bonds, redeemable in April 2027. All these refinancing transactions are part of a program to considerably reduce average cost of borrowings and extend maturities.
- Since the beginning of fiscal 2017, two acquisitions have been closed:
 - Inspirus in the United States, a specialist in employee recognition with a long experience and cutting edge technology solutions.
 - PSL in the United Kingdom, a leading procurement provider to the Hospitality industry.

2017 Share buy-back program

Confident in the future while maintaining the financial flexibility needed to invest in future development, the Board has also decided to implement a 300 million euro share repurchase and cancellation program in Fiscal 2017 (approximately 1.9% of the share capital as per August 31, 2016). This transaction is expected to be accretive to earnings per share starting in 2017.

Outlook

At the Board of Directors' meeting chaired by Sophie Bellon on November 15, 2016, Chief Executive Officer Michel Landel highlighted his confidence in the future development of the Group.

The geopolitical environment will continue to be difficult in Fiscal 2017. However, the commodities markets have been stabilizing for several quarters, which should provide a base for the Group's Energy and Resources segment, particularly given the strong new business from Rio Tinto, Shell and Seadrill, starting-up in the year. The North American market will continue to provide growth opportunities, with the development of integrated services contracts. In particular, US Education will benefit from schools new business signed in Fiscal 2016. The recovery in the Brazilian real since April 2016 should also help the Group's margin mix.

In Europe, the Group will have an easier comparative base in France but a more difficult one in the United Kingdom without the Rugby World Cup contribution in Fiscal 2016. Elsewhere, the slow recovery in the mature economies and the strong momentum in developing countries should continue.

The new organization by global segment combined with the global functions are helping the teams to extend client contracts and relationships into new services or new geographies, to identify white space opportunities around the world and to develop the exchange of best practices and standardized processes.

The Adaptation and Simplification program is on track to deliver significantly more savings in Fiscal 2017 than in the previous year and to achieve its target of 200 million euro of savings in Fiscal 2018. This will sustain margin growth while at the same time liberate resources to continue to develop the Service Operations global platforms, innovative consumer centric digital solutions and the quality of life integrated services offer.

The M&A pipeline is larger than it has been for several years and two acquisitions have already been closed since the beginning of the year:

- Inspirus employee recognition expertise and platforms bring to Benefits and Rewards Services a scalable new opportunity which together with the Motivcom activities in the United Kingdom, acquired two years ago, will allow Sodexo to deliver global recognition solutions for global clients.
- PSL will reinforce Sodexo's proposition to deliver market-leading food cost management solutions to its clients including real-time e-platforms to facilitate efficient procurement and operational support to maximize food savings.

The solid financial structure of the Group provides the capacity to accelerate the rhythm of acquisitions. In the meantime, the Board of Directors has approved a further 300 million euro share buy-back during the year.

The Management is focused on accelerating growth while continuing to increase margins.

Despite challenging revenues comparable in the first half, the Group is confident in achieving the following **Fiscal 2017 objectives**:

- **Organic revenue growth of around 3%;**
- **Operating profit growth (excluding exceptional expenses related to the Adaptation and Simplification program and currency effect) of 8% to 9%.**

The Board of Directors and Executive Committee confirm the **medium-term objectives of**:

- **Average annual revenue growth, excluding currency effect, of between 4% and 7%;**
- **Average annual growth in operating profit, excluding currency effect, of between 8% and 10%.**

Alternative Performance measure definitions

Financial ratios

		Fiscal 2016	Fiscal 2015
Gearing ratio	Borrowings ¹ - operating cash ²	11%	9%
	Shareholders' equity and non-controlling interests		
Net debt ratio	Borrowings ¹ - operating cash ²	0.3	0.2
	Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) ³		
Debt coverage	Borrowings	2.5 years	3.1 years
	Operating Cash Flow		
Financial independence	Non-current borrowings	67.9%	73.8%
	Shareholders' equity and non-controlling interests		
Return on equity	Profit attributable to equity holders of the parent	21%	23.3%
	Equity attributable to equity holders of the parent (before profit for the period)		
Return on capital employed (ROCE)	Operating profit after tax ⁴	18.6%	19.7%
	Capital employed ⁵		
Interest cover	Operating profit	12.6	9.0
	Net borrowing costs		

Financial ratios have been computed based on the following key indicators:

		Fiscal 2016	Fiscal 2015
(1) Borrowings	Non-current borrowings	2,515	2,765
	+ current borrowings excluding overdrafts	43	320
	- derivative financial instruments recognized as assets	(5)	(38)
		2,553	3,047
(2) Operating cash	Cash and cash equivalents	1,375	2,008
	+ financial assets related to the Benefits and Rewards Services activity	799	739
	- bank overdrafts	(28)	(39)
		2,146	2,708
(3) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	Operating profit	1,095	1,143
	+ depreciation and amortization	308	277
		1,403	1,420
(4) Operating profit after tax	Operating profit	1,095	1,143
	Effective tax rate	33.7%	31.1%
		726	788
(5) Capital employed	Property, plant and equipment	604	594
	+ goodwill	5,328	5,300
	+ other intangible assets	467	505
	+ client investments	562	485
	+ working capital excluding restricted cash and financial assets of the Benefits and Rewards Services activity	(3,057)	(2,888)
	3,904	3,996	

Exceptional expenses

Exceptional expenses are the costs of implementation of the Adaptation and Simplification program and Operational Efficiency Program (€108m in Fiscal 2016, €0m in Fiscal 2015 and €27m in Fiscal 2014).

Free cash flow

Please refer to section Consolidated financial position.

Growth excluding currency effect

Change excluding currency effect calculated converting Fiscal 2016 figures at Fiscal 2015 rates, except for countries with hyperinflationary economies. As a result, for Venezuelan Bolivar, Fiscal 2016 and Fiscal 2015 figures in VEF have been converted at the exchange rate of USD 1 = VEF 645 vs. VEF 199 for Fiscal 2015.

Issue volume

Issue volume corresponds to the total face value of service vouchers, cards and digitally-delivered services issued by the Group (Benefits and Rewards Services activity) for beneficiaries on behalf of clients.

Net debt

Group borrowing at the balance sheet less operating cash.

Net profit before non-recurring items

Reported Net Profit excluding non-recurring items (for Fiscal 2016 exceptional expenses and early debt reimbursement indemnity, both net of taxes of respectively €71m and €13m and €0m for Fiscal 2015).

Non-recurring items

Fiscal 2016 exceptional expenses of €108m related to the adaptation and simplification program in operating profit and €21m of early debt reimbursement indemnity in financial expense, both net of taxes (respectively €71m and €13m). There were no items considered as non-recurring for Fiscal 2015.

Operating margin

Operating profit divided by Revenues

Operating margin before exceptional expenses

Operating profit before exceptional expenses divided by Revenues

Operating Margin at constant rate

Margin calculated converting Fiscal 2016 figures at Fiscal 2015 rates, except for countries with hyperinflationary economies. As a result, for Venezuelan Bolivar, Fiscal 2016 and Fiscal 2015 figures in VEF have been converted at the exchange rate of USD 1 = VEF 645 vs. VEF 199 for Fiscal 2015.

Operating profit before exceptional expenses

Reported Operating Profit excluding exceptional expenses (€108m in Fiscal 2016, €0m in Fiscal 2015 and €27m in Fiscal 2014).

Organic growth

Organic growth corresponds to the increase in revenue for a given period (the "current period") compared to the revenue reported for the same period of the prior fiscal year, calculated using the exchange rate for the prior fiscal year; and excluding the impact of business acquisitions and divestments, as follows:

- For businesses acquired during the current period, revenue generated since the acquisition date is excluded from the organic growth calculation;
- For businesses acquired during the prior fiscal year, revenue generated during the current period up until the first anniversary date of the acquisition is excluded;
- For businesses divested during the prior fiscal year, revenue generated in the comparative period of the prior fiscal year until the divestment date is excluded;
- For businesses divested during the current fiscal year, revenue generated in the period commencing 12 months before the divestment date up to the end of the comparative period of the prior fiscal year is excluded.

For countries with hyperinflationary economies all figures are converted at the latest closing rate for both periods. As a result, for the calculation of organic growth, Benefits & Rewards figures for Fiscal 2016 and Fiscal 2015 in Venezuelan Bolivar, have been converted at the exchange rate of USD 1 = VEF 645 (vs. VEF 199 for Fiscal 2015).

2

**CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

2.1 Consolidated income statement

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015
Revenues	20,245	19,815
Cost of sales	(17,135)	(16,657)
Gross profit	3,110	3,158
Administrative and Sales Department costs	(2,001)	(1,978)
Other operating income	22	12
Other operating expenses	(42)	(56)
Operating profit before share of profit of companies consolidated by the equity method that directly contribute to the Group's business ⁽¹⁾	1,089	1,136
Share of profit of companies consolidated by the equity method that directly contribute to the Group's business	6	7
Operating profit	1,095	1,143
Interest income	34	65
Financial expense	(145)	(172)
Share of profit of other companies consolidated by the equity method	7	7
Profit for the period before tax	991	1,043
Income tax expense	(330)	(320)
Profit for the year	661	723
Of which:		
Non-controlling interests	24	23
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	637	700
Basic earnings per share <i>(in euro)</i>	4.21	4.60
Diluted earnings per share <i>(in euro)</i>	4.15	4.54

(1) Including 108 million euro in costs recorded in Fiscal 2016 in connection with the Adaptation and Simplification program

2.2 Consolidated statement of comprehensive income

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015
Profit for the year	661	723
Components of other comprehensive income to be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	1	(1)
Change in fair value of Cash Flow Hedge instruments	(2)	(5)
Change in fair value of Cash Flow Hedge instruments reclassified to profit or loss	1	3
Currency translation adjustment	(7)	37
Tax on components of other comprehensive income to be reclassified subsequently to profit or loss		1
Share of other components of comprehensive income of companies consolidated by the equity method, net of tax	4	3
Components of other comprehensive income that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plan obligation	(211)	56
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	31	(13)
Total other comprehensive income (loss), after tax	(183)	81
COMPREHENSIVE INCOME	478	804
Of which:		
Equity holders of the parent	455	782
Non-controlling interests	23	22

2.3 Consolidated statement of financial position

Assets

<i>(in millions of euro)</i>	August 31, 2016	August 31, 2015
NON-CURRENT ASSETS		
Property, plant and equipment	604	594
Goodwill	5,328	5,300
Other intangible assets	467	505
Client investments	562	485
Companies consolidated by the equity method	95	71
Financial assets	125	122
Derivative financial instrument assets	5	3
Other non-current assets	25	22
Deferred tax assets	287	232
Total non-current assets	7,498	7,334
CURRENT ASSETS		
Financial assets	44	24
Derivative financial instrument assets		35
Inventories	268	270
Income tax receivable	184	176
Trade and other receivables	3,990	3,891
Restricted cash and financial assets related to the Benefits and Rewards Services activity	799	739
Cash and cash equivalents	1,375	2,008
Total current assets	6 660	7,143
TOTAL ASSETS	14,158	14,477

Liabilities and shareholders' equity

<i>(in millions of euro)</i>	August 31, 2016	August 31, 2015
SHAREHOLDERS' EQUITY		
Share capital	615	628
Additional paid-in capital	822	1,109
Reserves and retained earnings	2,231	1,973
Equity attributable to equity holders of the parent	3,668	3,710
Non-controlling interests	34	34
Total shareholders' equity	3,702	3,744
NON-CURRENT LIABILITIES		
Borrowings	2,515	2,765
Derivative financial instrument liabilities		
Employee benefits	587	418
Other non-current liabilities	193	192
Provisions	105	88
Deferred tax liabilities	149	130
Total non-current liabilities	3,549	3,593
CURRENT LIABILITIES		
Bank overdrafts	28	39
Borrowings	43	315
Derivative financial instrument liabilities		5
Income tax payable	124	133
Provisions	89	83
Trade and other payables	3,945	4,069
Vouchers payable	2,678	2,496
Total current liabilities	6,907	7,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,158	14,477

2.4 Consolidated cash flow statement

<i>(in millions of euro)</i>	Fiscal 2016	Fiscal 2015
Operating activities		
Operating profit	1,089	1,136
Elimination of non-cash and non-operating items		
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	308	277
Provisions	23	(11)
(Gain)/loss on disposal and other non-cash items	9	
Dividends received from companies consolidated by the equity method	11	10
Interest paid	(143)	(189)
Interest received	35	39
Income tax paid	(313)	(289)
Operating cash flow	1,019	973
Change in working capital from operating activities	(74)	44
Change in inventories	(1)	5
Change in trade and other receivables	(97)	(239)
Change in trade and other payables	(60)	202
Change in vouchers payable	132	100
Change in financial assets related to the Benefits and Rewards Services activity	(48)	(24)
Net cash provided by operating activities	945	1,017
Investing activities		
Acquisitions of property, plant and equipment and intangible assets	(345)	(302)
Disposals of property, plant and equipment and intangible assets	25	18
Change in client investments	(76)	(62)
Change in financial assets	(47)	17
Acquisitions of subsidiaries	(38)	(56)
Dispositions of subsidiaries	(4)	7
Net cash used in investing activities	(485)	(378)
Financing activities		
Dividends paid to parent company shareholders	(335)	(276)
Dividends paid to non-controlling shareholders of consolidated companies	(20)	(25)
Purchases of treasury shares	(280)	(84)
Disposition of treasury shares	62	59
Increase in share capital		2
Change in non-controlling interests	(2)	
Proceeds from borrowings	1	7
Repayment of borrowings	(527)	(1,048)
Net cash provided by/ (used in) financing activities	(1,101)	(1,365)
CHANGE IN NET CASH AND CASH EQUIVALENTS	(641)	(726)
Net effect of exchange rates and other effects on cash	19	8
Net cash and cash equivalents, beginning of period	1,969	2,687
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	1,347	1,969

2.5 Consolidated statement of changes in shareholders' equity

<i>(in millions of euro)</i>	Shares outstanding	Share capital	Additional paid-in capital	Treasury shares	Reserves and comprehensive income	Translation adjustment	Total shareholders' equity		
							Attributable to equity holders of the parent	Non-controlling interests	Total
Shareholders' equity as of August 31, 2014	157,132,025	628	1,109	(409)	2,318	(457)	3,189	32	3,221
Profit for the year					700		700	23	723
Other comprehensive income (loss), net of tax					44	38	82	(1)	81
Comprehensive income					744	38	782	22	804
Dividends paid					(276)		(276)	(24)	(300)
Treasury shares				(25)			(25)		(25)
Share-based payment (net of income tax)					38		38		38
Change in ownership interest without any change of control					(2)		(2)		(2)
Other ⁽¹⁾					4		4	4	8
Shareholders' equity as of August 31, 2015	157,132,025	628	1,109	(434)	2,826	(419)	3,710	34	3,744
Profit for the year					637		637	24	661
Other comprehensive income (loss), net of tax					(176)	(6)	(182)	(1)	(183)
Comprehensive income					461	(6)	455	23	478
Dividends paid					(335)		(335)	(23)	(358)
Capital reduction by cancelling treasury shares	(3,390,886)	(13)	(287)	300					
Treasury shares				(218)			(218)		(218)
Share-based payment (net of income tax)					55		55		55
Change in ownership interest without any change of control					(2)		(2)		(2)
Other ⁽¹⁾					3		3		3
Shareholders' equity as of August 31, 2016	153,741,139	615	822	(352)	3,008	(425)	3,668	34	3,702

(1) Including the effects of hyperinflation.