PRESS RELEASE

Sodexo: Fiscal 2018 annual results in line with revised guidance

- **Organic revenue growth of 2% excluding the 53rd week, and Underlying operating margin of 5.7%, excluding currency impact, or 5.5%, as published.**
- **Exceptionally strong free cashflow.**
- **Significant acceleration in Q4 sales growth in Benefits & Rewards.**
- **Education net new business neutral in Fiscal 2018,
improved signings in North American Health Care in the last quarter.**
- **Underlying net profit -8.6% excluding currency effect, -14.1% as published.**
- **Proposed dividend[1] of 2.75 euro, stable on previous year.**
- **Fiscal 2019 guidance: organic growth between 2% and 3%,
underlying operating margin between 5.5% and 5.7% at constant exchange rates.**

Issy-les-Moulineaux, November 8, 2018 - Sodexo (NYSE Euronext Paris FR 0000121220-OTC: SDXAY). At the Board of Directors meeting held on November 6, 2018 and chaired by Sophie Bellon, the Board closed the Consolidated and Company accounts for the fiscal year ended August 31, 2018.

[1] *To be proposed at the Annual General Meeting on January 22, 2019.*

Financial performance for Fiscal 2018

(in millions of euro)	**Fiscal 2018 (ended August 31, 2018)**	**Fiscal 2017 (ended August 31, 2017)**	**Difference**	**Difference excluding currency effect**
Revenue	**20,407**	**20,698**	**-1.4%**	**+4.4%**
Organic growth	***+1.6%***	***+1.9%***		
Underlying Operating profit	**1,128**	**1,340**	**-15.8%**	**-8.6%**
Underlying Operating profit margin	**5.5%**	**6.5%**	**-100bps**	**-80bps**
Other operating expenses	**(131)**	**(151)**		
Operating profit	**997**	**1,189**	-16.1%	**-8.3%**
Net financial expense	**(90)**	**(105)**		
Effective tax rate	***27.1%***	***31.7%***		
Underlying net profit	**706**	**822**	**-14.1%**	**-8.6%**
Underlying Earnings per share -basic- (in euro)	4.77	5.52	-13.6%	
Group net profit	**651**	**723**	**-9.9%**	**-4.0%**
Earnings per share -basic- (in euro)	**4.40**	**4.85**	-9.4%	
Proposed dividend per share (in euro)	**2.75**[1]	**2.75**	=	
Free cash flow	**1,076**	**887**	+21.3%	
Gearing (%)	**38%**	**17%**		
Debt Ratio[1]	**1.0**	**0.4**		

Commenting on these figures, Sodexo CEO Denis Machuel said:

"The results for Fiscal 2018 are in line with what we signposted during the trading update in March.

This has been a challenging year for Sodexo, but we know what went wrong, and we know what we need to do to fix it. Healthcare and Education in North America continue to drag on our performance, and the turnaround is going to take some time. Vigorous action plans are being deployed across the organization by the new Executive Committee to address our execution issues. We are laser-focused on sales and retention, discipline and accountability.

I am convinced that we are on the right path to enhance productivity, giving us the means to reinvest in accelerating growth, which is our absolute priority today. My ambition is to get growth at Sodexo back up to best-in-class, and I'm confident we will get there."

[1] *To be proposed at the Annual General Meeting on January 22, 2019*

Highlights of the period

- Organic revenue growth for the year, at 2% excluding the effect of the 53rd week, was slightly above the +1 to +1.5% guidance revised on March 29, 2018. There was an acceleration in the fourth quarter due to a return to record levels of summer tourism in France, an expected board days shift in universities in North America from the third to the fourth quarter, and, in Benefits & Rewards, a strong pick-up in activity in Brazil. Underlying operating profit margin was in line at 5.7%, excluding currency impact, or 5.5% as published.
- **On-site Services** organic revenue growth of 1.4%, or 1.9% excluding the 53rd week, reflects:
  - A -1.1% decline in revenue in North America, and growth of +4.5% in all other regions, with double digit growth in Asia, Brazil and Latin America.
  - An improvement in the Key Performance Indicators:
    - Client retention rate has increased +30 bps to 93.8%, thanks to an improvement in Education in North America which will be felt in Fiscal 2019;
    - New sales development has increased 30 bps to 6.8%, with an improvement in Health Care in the last few months of the year;
    - Excluding the 53rd week impact in both years, same site sales growth was 2.6%, up from 1.5% in Fiscal 2017.
- **Benefits & Rewards Services** organic revenue growth was 5.1%. Organic growth in Europe reached 7.5%. In Latin America, organic growth was 2.4%, with a turnaround in Brazil in the second half.
- The **underlying operating margin** was 5.7% excluding the currency impact, or 5.5% as published, down 80 or 100 bps respectively. This is explained principally by:
  - Delays in labor and food productivity initiatives in North America which were supposed to compensate for the decline in revenues;
  - Delays in the ramp-up in profitability of a few very large contracts;
  - In Benefits & Rewards, investments in mobility and digital migration, as well as lower interest rates in Brazil.
- **Other operating income and expenses** reached 131 million euro. Restructuring costs amounted to 42 million euro against 137 million euro in the previous year. Acquisition costs and amortization and depreciation of client relationships and brands, were higher. The increase in depreciation of client relationships were linked principally to the Centerplate acquisition,
- **Underlying Net profit** totaled 706 million euro, down -8.6% excluding the currency effect. Reported net profit was 651 million euro, down -9.9%, or -4.0% excluding the currency impact. Basic EPS was 4.40€ down -9.4%, helped by a lower share count linked to the share buy-back program
- **Free cash flow** reached 1,076 million euro. This represented a substantial improvement on Fiscal 2017 free cash flow, at 887 million euro. Cash flow from operations, was up 5.9% due to much lower cash taxes. Capital expenditure was relatively flat at 298 million euro. As a result, cash conversion reached 165% compared to 123% in Fiscal 2017.
- After taking into account acquisitions, dividends and share buy-backs, consolidated **net debt** rose during the year by 648 million euro to 1,260 million euro at August 31, 2018. The Group's financial position remained strong, with a net debt ratio at 1.0, at the bottom end of the target levels of 1-2.

- **Acquisitions**, net of disposals, amounted to **697 million euro. Centerplate**, a provider of food and beverage, merchandise and hospitality services at sports facilities, convention centers and entertainment facilities in the United States and Europe was the biggest. The company contributed 509 million euro to Group revenue this year and was accretive to operating margin. *Centerplate* doubles the Group's presence in the Sports & Leisure segment, particularly strengthening its position in the North America market. Other acquisitions during the year included *Kim Yew* to strengthen the Group's technical expertise and capacities in Singapore, *Morris Corporation* to enhance the Group's presence in remote site services for the mining industry in Australia. Since year end, further acquisitions have been made, including *Crèche de France*, doubling the Group's presence in the child-care market in France and *Novae Restauration*, significantly enhancing the Group's presence in the high-end catering market in French-speaking Switzerland.
- Sodexo's engagement in corporate responsibility continues to be recognized within the investment community, with the highest marks of its sector in *RobecoSAM*'s 2017 "Sustainability Yearbook", for the 11th consecutive year. Sodexo also remains the top-rated company in its sector within the Dow Jones Sustainability Index (DJSI), for the 14th consecutive year.

Outlook

For Fiscal Year 2019, with neutral net new business in Education in North America, signs of a pick-up in sales in Health Care and continued solid growth in developing economies, **the Group is confident that organic revenue growth should be between 2 and 3%.**

All the savings that will be achieved through the different productivity and fit for the future programs will be reinvested in growth initiatives. **As a result, the underlying operating margin for the year should be between 5.5% and 5.7%, excluding the currency impact.**

The strategic agenda is aimed at delivering market leading growth. The first steps to return to this performance are to achieve organic growth of more than 3% from Fiscal 2020 and then improve margins back up over 6% sustainably (at Fiscal 2017 exchange rates). **As explained during the Capital Markets Day, margin improvement will come with the right levels of growth.**

Conference call

Sodexo will hold a conference call (in English) today at 9:00 a.m. (Paris time), **8:00 a.m. (London time)** to comment on its results for Fiscal 2018. Those who wish to connect from the UK may dial +44 330 336 9128 or from France + 33 1 76 77 22 74, or from the USA +1 646-828-8143, followed by the passcode **3328722**.

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.

Fiscal 2019 financial calendar

Publication of the Registration Document	November 22, 2018
1st quarter revenues	January 11, 2019
Fiscal 2018 Annual Shareholders' Meeting	January 22, 2019
Dividend ex-date	January 30, 2019
Dividend record date	January 31, 2019
Dividend payment date	February 1, 2019
1st half results	April 11, 2019
Nine-month revenues	July 8, 2019
Annual results	November 7, 2019
Annual Shareholders' Meeting	January 21, 2020

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 100 million consumers each day through its unique combination of On-site Services, Benefits and Rewards Services and Personal and Home Services. Sodexo provides clients an integrated offering developed over more than 50 years of experience: from foodservices, reception, maintenance and cleaning, to facilities and equipment management; from services and programs fostering employees' engagement to solutions that simplify and optimize their mobility and expenses management, 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 460,000 employees throughout the world.

Sodexo is included in the CAC 40, FTSE 4 Good and DJSI indices.

Key figures (as of August 31, 2018)

20.4 billion euro in consolidated revenues

460,000 employees

19th largest employer worldwide

72 countries

100 million consumers served daily

13 billion euro in market capitalization (as of November 7, 2018)

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.

Contacts

Analysts and Investors	Press
Virginia Jeanson Tel : +33 1 57 75 80 56 virginia.jeanson@sodexo.com	**Laura Schalk** Tel: +33 1 57 75 85 69 laura.schalk@sodexo.com

FINANCIAL REPORT FISCAL 2018

Fiscal year ended August 31, 2018

1

FISCAL 2018 ACTIVITY REPORT

FISCAL 2018 YEAR HIGHLIGHTS

Financial results

- Organic revenue growth for the year, at +2% excluding the effect of the 53rd week, was slightly above the +1 to +1.5% guidance revised on March 29, 2018. There was an acceleration in the fourth quarter due to a return to record levels of summer tourism in France, an expected board days shift in universities in North America from the third to the fourth quarter, and, in Benefits & Rewards, a strong pick-up in activity in Brazil. Underlying operating profit margin was in line at 5.7%, excluding currency impact or 5.5% as published.
- **On-site Services** organic revenue growth of +1.4%, or +1.9% excluding the 53rd week, reflects:
  - A -1.1% decline in revenue in North America, and growth of +4.5% in all other regions, with double digit growth in Asia, Brazil and Latin America.
  - An improvement in the Key Performance Indicators:
    - Client retention rate has increased +30 bps to 93.8%, thanks to an improvement in Education in North America which will be felt in Fiscal 2019
    - New sales development has increased 30 bps to 6.8%, with an improvement in Health Care in the last few months of the year
    - Excluding the 53rd week impact in both years, same site sales growth was 2.6%, up from 1.5% in Fiscal 2017.
- **Benefits & Rewards Services** organic revenue growth was +5.1%. Organic growth in Europe reached +7.5%. In Latin America, organic growth was +2.4%, with a turnaround in Brazil in the second half.
- The **underlying operating margin** was 5.7% excluding the currency impact, or 5.5% as published, down 80 or 100 bps respectively. This is explained principally by:
  - Delays in labor and food productivity initiatives in North America which were supposed to compensate for the decline in revenues.
  - Delays in the ramp-up in profitability of a few very large contracts.
  - In Benefits & Rewards, investments in mobility and digital migration, as well as lower interest rates in Brazil.

- **Other operating income and expenses** reached 131 million euro. Restructuring costs amounted to 42 million euro against 137 million euro in the previous year. Acquisition costs and amortization and depreciation of client relationships and brands, were higher. The increase in depreciation of client relationships were linked principally to the Centerplate acquisition.
- **Underlying Net profit** totaled 706 million euro, down -8.6% excluding the currency effect. Reported net profit was 651 million euro, down -9.9%, or -4.0% excluding the currency impact. Basic EPS was 4.40€ down -9.4%, helped by a lower share count linked to the share buy-back program.
- **Free cash flow** reached 1,076 million euro. This represented a substantial improvement on Fiscal 2017 free cash flow, at 887 million euro. Cash flow from operations, was up +5.9% due to much lower cash taxes. Capital expenditure was relatively flat at 298 million euro. As a result, cash conversion reached 165% compared to 123% in Fiscal 2017.
- After taking into account acquisitions, dividends and share buy-backs, consolidated **net debt** rose during the year by 648 million euro to 1,260 million euro at August 31, 2018. The Group's financial position remained strong, with a net debt ratio at 1.0, at the bottom end of the target levels of 1-2.
- **Acquisitions**, net of disposals, amounted to **697 million euro. *Centerplate***, a provider of food and beverage, merchandise and hospitality services at sports facilities, convention centers and entertainment facilities in the United States and Europe was the biggest. The company contributed 509 million euro to Group revenue this year and was accretive to operating margin. *Centerplate* doubles the Group's presence in the Sports & Leisure segment, particularly strengthening its position in the North America market. Other acquisitions during the year included *Kim Yew* to strengthen the Group's technical expertise and capacities in Singapore, *Morris Corporation* to enhance the Group's presence in remote site services for the mining industry in Australia. Since year end, further acquisitions have been made, including *Crèche de France*, doubling the Group's presence in the child-care market in France and *Novae Restauration*, significantly enhancing the Group's presence in the high-end catering market in French-speaking Switzerland.

New business opportunities and retention

In Fiscal 2018, new business reached 6.8% and retention 93.8%, both up by 30 bps. Same site sales growth improved by 110 bps to 2.6% (excluding 53rd week impact). These improvements are due to:

- **Improved momentum in Food services**
  - **West Virginia State University in the US**, a 15-year contract, for 47 million euros annual revenue to provide food and retail services for their 30,000 students across 4 campuses and 29 dining venues. Our understanding of the client's challenges, and our focus on local sourcing and supporting farmers in the region were decisive factors in winning this major piece of new business.
  - We also signed a five-plus-two-year contract to operate 10 catering outlets and modernize the food experience across **The University of Hong Kong,** the first and oldest institution of higher learning in Hong Kong, founded in 1911.
  - During the year, continuing our strong record in the airline business worldwide we started two new contracts with **Cathay Pacific** in January, and **Airport Lounge Development** in the US, in May**.**
  - Sodexo has been selected as the high-end food services partner of **INSEAD Asia Campus** in Singapore to serve 500 students, 100 executive participants and 350 faculty and staff each day.
- **Strong momentum in contract extensions**
  - Starting in 2016, Sodexo has been providing integrated facility management services to **ByteDance**, a high-tech company headquartered in Beijing specialist in Artificial Intelligence. Sodexo has grown this business in China from one site to 87 sites. Since January 2018, we extended our contract with *ByteDance* with a new 2-year contract to cover 70 cities across China.

- Sodexo recently extended its contract with **Microsoft to 18 new countries** in Europe and South Africa in addition to our existing sites in China and the Middle East. With this new contract, Sodexo strengthens its relationship with Microsoft which started in 2008 and provides fully integrated services in all Microsoft sites.
- Sodexo also signed a five-year agreement with **Tetra Pak**, the world's leading food processing and packaging solutions company, to provide integrated services on a global scale in 30 countries in 4 continents. Following this agreement Sodexo extended geographical scope, to provide services to Tetra Pak in Brazil, Norway, Vietnam, the UK and the Philippines.
- Finally, Sodexo expanded its 12-year relationship with the **International School of Beijing** for a 4-year term, adding catering to the FM services Sodexo previously supplied to the school. ISB's 1,700 students and 350 staff enjoy a range of dining options in the newly-designed School cafeterias, Chinese canteen, staff lounge and coffee bar and event catering.

- **Better retention in the Fiscal 2018, especially in Education**
  - In terms of contract retentions, during the last quarter of FY18, Sodexo won the bid to operate the restaurants of the **Eiffel Tower** with Michelin-starred chefs Frédéric Anton and Thierry Marx for the next 10 years. Sodexo Sports & Leisure's winning proposition was a completely redesigned, modern and innovative offer with strong social and environmental commitments particularly around local sourcing and zero waste.
  - We also renewed our existing contract with the **Ecoles de Marseilles** in France, to provide 50,000 meals daily to the city's 320 primary schools.
  - In the UK, we recently renewed our **Quaerere Academy Trust** contract in Sandwell, West Midlands for 5 more years with a £2.8 million catering contract, featuring our new modern school food and dining room offer, "Food & Co. by Sodexo".
  - Our existing contract with 184 **Chicago Public Schools**, has not only been renewed for five more years, but also extended to 102 additional schools for food and facilities management services.
- **Some improvement in Health Care signings in the last quarter.**
  - Sodexo also recently won a contract with **MedStar Health System** in Maryland, in the US, to provide food and retail services in their 10 locations, with over 3,000 beds. Our use of data analytics to understand the client's complex demographics and enhance patient satisfaction scores going forward, as well as to extend staff and guest dining to 24 hours and provide improved flexible patient dining options were key success factors.

In 2018, Sodexo continued to be recognized for its contribution to a better world

- Sodexo's engagement in corporate responsibility continues to be recognized within the investment community, with the highest marks of its sector in RobecoSAM's 2017 "Sustainability Yearbook", for the 11th consecutive year. Sodexo also remains the top-rated company in its sector within the Dow Jones Sustainability Index (DJSI), for the 14th consecutive year.

Research and Thought Leadership

As a recognized leader in Quality of Life Services, Sodexo continues to explore the frontiers of research into the link between Quality of Life and performance in today's rapidly-changing work environment.

- In October 2017, Sodexo organized the second edition of the **Quality of Life Conference**, in London, bringing together Sodexo clients, leaders of companies, universities, NGOs, hospitals, governments and communities from more than 30 countries to explore the future of quality of life.
- The Group issued the second edition of the **Global Workplace Trends**. Gen Z, the Internet of Things and gender balance are among the forces shaping tomorrow's workplace explored in Sodexo's 2018 Global Workplace Trends. Seven critical factors are identified that affect the future of work and contribute to an improved workplace experience, enhancing company performance and, ultimately, employee engagement. Among the insights is the need to foster collective intelligence across all workplace domains by creating an emotionally intelligent workplace. Other trends include the increasing role of employees in companies' corporate responsibility strategies, the sharing economy and the impact of technologies through Human Capital Management. By understanding and anticipating these trends, Sodexo is able to focus its human-centered and experience-based solutions to most effectively boost client performance.
- Sodexo also released its ***2018 Sodexo University Trends Report: Five Trends Set to Impact the Student Journey and Campus***. Drawing on insight from a panel of leading higher education experts as well as Sodexo's experience providing services to 700 universities globally, it delivers key trends shaping the student journey and the campus experience, and how universities can and should be responding.

Technology partnership with Microsoft to enhance Quality of Life Services

In September 2018, Sodexo signed a global partnership agreement with Microsoft. The Group will use an integrated information platform developed in partnership with Microsoft Consulting Services. The platform combines different productivity solutions from Microsoft, including Dynamics 365 and Azure as well as Microsoft's Artificial Intelligence and object intelligence capabilities.
In addition to improving Sodexo's own facilities management processes, the efficiency gains unleashed by the initiative will help its clients achieve significant savings. For Microsoft, the partnership provides a key opportunity to bring the most value to its technologies in becoming part of the Sodexo ecosystem.

Governance

Denis Machuel became Chief Executive Officer in January 2018

Michel Landel announced his intention to retire in May 2017 and stepped down after the Annual General Shareholders' Meeting on January 23, 2018. To ensure a smooth transition, Denis Machuel became Deputy Chief Executive Officer of Sodexo as of September 1, 2017, and then Chief Executive Officer on January 23, 2018. Michel Landel remained on the Board of Directors until July 2018, until the transition was fully completed.

Executive Committee expanded to reinforce regional representation and strengthen Sodexo's focus on clients and consumers

The Executive Committee was substantially changed during the year, with an increase in the number of members from 14 to 19, bringing to the table more geographical representation, the segments and activities not already represented and new functions including Marketing, Digital and Innovation.

With these changes, more than one third of the members of the Executive Committee are women and seven nationalities are represented.

Board changes

During the board meeting on June 20, the Board:

- Accepted the resignation effective July 1, 2018 of Patricia Bellinger, Board member since 2005 and Michel Landel, Board member since 2009.
- Appointed Sophie Stabile, as a new director. She brings strong financial and operational expertise and deep service sector experience, and has joined the Audit Committee.

With these changes, as of August 31, the Board comprised 13 Directors of which six are independent, and two are employee representatives. The Board continues to be diverse with seven women, six men and four different nationalities.

FISCAL 2018 PERFORMANCE

Consolidated income statement

(in millions of euro)	**Fiscal 2018 (ended August 31, 2018)**	**Fiscal 2017 (ended August 31, 2017)**	**Difference**	**Difference excluding currency effect[1]**
Revenue	**20,407**	**20,698**	**-1.4%**	**+4.4%**
Organic growth	***+1.6%***	***+1.9%***		
Underlying Operating profit	**1,128**	**1,340**	**-15.8%**	**-8.6%**
Underlying Operating profit margin	**5.5%**	**6.5%**	**-100bps**	**-80bps**
Other operating expenses	**(131)**	**(151)**		
Operating profit	**997**	**1,189**	-16.1%	**-8.3%**
Interest income	**46**	31		
Interest expense	**(136)**	(136)		
Net financial expense	**(90)**	**(105)**		
Share of profit of other companies consolidated by the equity method	2	4		
Profit before tax	910	1,088	-16.4%	**-10.3%**
Income tax expense	(245)	***(343)***		
Effective tax rate	***27.1%***	***31.7%***		
Minorities deduction	***(13)***	***(22)***		
Underlying net profit	**706**	**822**	**-14.0%**	**-8.6%**
Underlying Earnings per share -basic- (in euro)	4.77	5.52	-13.6%	
Group net profit	**651**	**723**	**-9.9%**	**-4.0%**
Earnings per share -basic- (in euro)	**4.40**	**4.85**	-9.4%	
Proposed dividend per share (in euro)	**2.75[2]**	**2.75**	=	

[1] *Please refer to pages 27 – 29 for Alternative Performance Measures definitions.*

[2] *To be proposed at the Annual General Meeting on January 22, 2019.*

sodexo
QUALITY OF LIFE SERVICES

Currency effect

Sodexo operates in 72 countries. The percentage of total revenues and underlying operating profit denominated in the main currencies are as follows:

	Revenues	Underlying Operating profit
U.S. dollar	41%	51%
Euro	26%	4%
UK pound sterling	9%	10%
Brazilian real	5%	19%

Exchange rate fluctuations do not generate operational risks, because each subsidiary bills its revenues and incurs its expenses in the same currency. However, given the weight of the Benefit & Rewards business in Brazil, and the high level of the margins relative to the Group, when the Brazilian real declines against the euro, it has a negative effect on the underlying operating margin due to a change in the mix of margins. Conversely, when the Brazilian real improves, Group margins increase.

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.

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, 2018 is therefore 1 U.S. dollar = 6,112,000 bolivars (1 euro = 7,121,091.20 bolivars) relative to the Fiscal 2017 rate of 1 U.S. dollar = 3,250 bolivars. The effect of this depreciation is no longer material at Group level, as the Group's operations in Venezuela now represent a negligible share of consolidated revenues and underlying operating profit.

Impact of exchange rates	Average rate Change vs. the euro (in %)	Closing rate Change vs. the euro (in %)	***Impact*** *(in millions of euro)*		
			Revenues	Underlying Operating profit	Net profit
Euro/U.S. dollar	-7.8%	+1.5%	(704)	(49)	(24)
Euro/Brazilian real	-13.5%	-23.0%	(161)	(34)	(19)
Euro/ UK pound sterling	-1.9%	+2.5%	(35)	(2)	(2)

During Fiscal 2018, the euro was strong against all currencies, particularly in the second half against both the U.S. dollar and the Brazilian real, the two most important currencies for the Group. On the other hand, UK Sterling was stable during the year.

Revenues

Revenues by activity

Revenues by Segment *(In millions of euro)*	**FY18**	**FY17**	**Organic growth**	**External growth**	**Currency effect**	**Total growth**	**Organic growth excluding 53rd week**
Business & Administrations	10 938	10 551	+3.8%	+5.6%	-5.7%	+3.7%	+4.1%
Health Care and Seniors	4 768	5 007	+0.2%	+0.8%	-5.7%	-4.8%	+1.0%
Education	3 855	4 239	-3.0%	-0.1%	-6.0%	-9.1%	-2.5%
On-site Services	**19 561**	**19 797**	**+1.4%**	**+3.1%**	**-5.8%**	**-1.2%**	**+1.9%**
Benefits & Rewards Services	**850**	**905**	**+5.1%**	**-3.4%**	**-7.9%**	**-6.1%**	**+5.1%**
Elimination	**(4)**	**(4)**					
GROUP TOTAL	**20 407**	**20 698**	**+1.6%**	**+2.9%**	**-5.9%**	**-1.4%**	**+2.0%**

Fiscal 2018 consolidated revenues totaled 20.4 billion euro, down -1.4% year-on-year due to the currency movements exposed above. The contribution from acquisitions net of disposals of subsidiaries amounted to +2.9%. As a result, organic revenue growth was +1.6%. Excluding the effect of the 53rd week, organic growth was +2.0%.

The 53rd week adjustment is linked to the change from weekly to monthly accounting as from September 2017 in North America. Weekly accounting has the side effect of losing one or two days per year, depending upon whether there is a leap year or not. These lost days were usually recovered in the accounts in a one-off every 5 to 6 years. In Fiscal 2017, this 53rd week effect was the equivalent of six more days of trading. From Fiscal 2019 onwards, the monthly accounting will be normalized.

On-site Services

On-site Services organic revenue growth was +1.4%, or +1.9% excluding the 53rd Week. This performance reflects weakness in the performance of the Education and Healthcare segments. However, the fourth quarter was better than expected at +3.3% excluding the 53rd week, benefiting from a better performance in Education, offsetting the particularly weak third quarter, a good summer season in Europe and solid growth in the Rest of the World.

During Fiscal 2018, the Key Performance indicators improved:

- Client retention increased 30 bps to 93.8%. Education in North America increased by 300 basis points during the year. However, this was somewhat offset by weakness in Health Care in most regions.
- New sales development was 6.8% compared to 6.5% the previous year reflecting a slightly better performance in all regions.
- Excluding the 53rd week impact in both years, same site sales growth was +2.6%, up from a low point of +1.5% in Fiscal 2017.

Again, in Fiscal 2018, organic growth was driven by continued high single digit growth in facilities management services, while food services were stable reflecting the weak performance in Universities in North America, which are predominantly food services. Non-food services represent 33% of On-site Services sales.

On-Site Services Revenues by Region

Revenues by Region *(In millions of euro)*	FY18	FY17	Organic growth	Organic growth Excluding 53rd week
North America	8,707	9,093	-2.1%	-1.1%
Europe	7,690	7,591	+1.5%	+1.5%
Africa, Asia, Australia, Latam, Middle East	3,163	3,113	+11.7%	+11.7%
On-site Services	**19,561**	**19,797**	**+1.4%**	**+1.9%**

Note: In Fiscal 2017, North America benefited from a 53rd week in the fourth quarter.

Organic growth outside North America, representing 55% of On-site revenue, was +4.5%.

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 materially impacted 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 remain dependent upon growth in GDP and employment in the country.

Business & Administrations

Revenues

Revenues by Region *(In millions of euro)*	FY18	FY17	Organic growth	Organic growth Excluding 53rd week
North America	2,822	2,515	+0.5%	+1.7%
Europe	5,313	5,235	+1.5%	+1.5%
Africa, Asia, Australia, Latam, Middle East	2,804	2,801	+11.2%	+11.2%
Business & Administrations	**10,938**	**10,551**	**+3.8%**	**+4.1%**

Fiscal 2018 **Business & Administrations** revenues totaled **10.9 billion euro**, representing organic growth of +4.1% excluding the impact of the 53rd week in North America.

In **North America**, organic growth was **+1.7% excluding the 53rd week impact**, reflecting progress in Airline lounges and Corporate Services with further development of Facilities management services. Energy & Resources remains challenging due to a significant site closure. Government & Agencies was flat due to generally weak demand in some contracts, mess closures in the Marine Corps and a lot of work being done on successfully retaining some big contracts.

In Europe, sales were **up +1.5% organically**. Summer tourism in Paris returned to the record levels not seen since 2015. Corporate services were stable impacted by several large losses in the Benelux region compensated by improved performance in France and the UK and strong growth in southern and eastern Europe. Government & Agencies has been impacted by the progressive exit of three army contracts with the British Army. Energy & Resources performance in the North Sea remains negative for the year, but there were signs of stabilization in the second half.

In **Africa, Asia, Australia, Latin America, Middle East** organic revenue growth remains strong at **+11.2% for the year,** reflecting double digit growth in most segments due to strong new business and same site sales in Corporate services and favorable momentum in Energy & Resources, particularly in mining.

Health Care & Seniors

Revenues

Revenues by Region *(In millions of euro)*	**FY18**	**FY17**	**Organic growth**	**Organic growth Excluding 53rd week**
North America	3,001	3,303	-1.8%	-0.5%
Europe	1,493	1,465	+0.6%	+0.6%
Africa, Asia, Australia, Latam, Middle East	274	239	+17.2%[1]	+17.2%[1]
Health Care & Seniors	**4,768**	**5,007**	**+0.2%**	**+1.0%**

Health Care and Seniors revenues amounted to **4.8 billion euro**, up +1.0% organically excluding the impact of the 53rd week.

In **North America,** organic growth was **-0.5%,** excluding the impact of the 53rd week, impacted by slow new business and weak retention throughout this year. The second half activity was better than the first due to an easier comparable base. The sales teams have now been significantly reorganized and there were a series of signatures during the summer.

In **Europe,** organic growth was **+0.6%.** While net new business was slightly negative in the year, due to a lack of significant development opportunities, same site sales were solid, particularly in the UK. There was an improved trend in Seniors in France and hospitals in Belgium and the Nordics.

In **Africa, Asia, Australia, Latin America, Middle East** organic revenue growth has remained strong all year, at **+17.2%**[1] reflecting many new contract startups in Brazil and particularly strong same site sales growth in Asia. Many of these contracts have involved transferring expertise from other sites around the world or extending services into new facilities management offers.

[1] *Restated for internal transfers between segments*

Education

Revenues

Revenues by Region *(In millions of euro)*	FY18	FY17	Organic growth	Organic growth Excluding 53rd week
North America	2,884	3,275	-4.5%	-3.9%
Europe	885	891	+3.0%	+3.0%
Africa, Asia, Australia, Latam, Middle East	86	73	+14.7%[1]	+14.7%[1]
Education	**3,855**	**4,239**	**-3.0%**	**-2.5%**

Revenues in **Education** were 3.9 billion euro, down -2.5% organically, excluding the 53rd week impact.

North America was down **-3.9%**, excluding the 53rd week contribution. While Schools generated solid growth due to new business and strong same site sales growth, this was offset by the negative net new business contribution from Universities, impacted by particularly weak retention during the previous year selling season, and much lower same site sales growth. Fiscal 2018 retention has improved so that net new business going into Fiscal 2019 is neutral.

In **Europe**, organic growth was **+3%.** This was driven by solid prior year contract wins, same site sales growth in the UK and Spain, and two additional days in Italy. France was flat due to weak prior year development.

In **Africa, Asia, Australia, Latin America, and the Middle East**, organic growth was **+14.7%** resulting from strong growth in new Schools contracts and same site sales in China, Singapore and India.

Benefits and Rewards Services

Benefits & Rewards Services revenue amounted to 850 million euro, down -6.1%. The currency effect of -7.9% resulted in particular from the weakness of the Brazilian real in the second half. The scope change of -3.4% also weighed on revenues, principally due to the sale of *Vivabox* at the end of Fiscal 2017. Organic growth in revenues was +5.1%, on issue volume growth of +6.8%.

Revenues

Revenues by Region *(In millions of euro)*	FY18	FY17	Organic growth	External growth	Currency effect	Total growth
Europe, USA and Asia	473	480	+7.5%			
Latin America	377	425	+2.4%			
Benefits & Rewards services	**850**	**905**	**+5.1%**	**-3.4%**	**-7.9%**	**-6.1%**

[1] *Restated for internal transfers between segments*

Issue volume

Issue Volume by Region *(In millions of euro)*	FY18	FY17	Organic growth	External growth	Currency effect	Total growth
Europe, USA and Asia	10,537	10,000	+6.7%			
Latin America	7,230	7,792	+7.0%			
Benefits & Rewards services	**17,767**	**17,792**	**+6.8%**	**+0.2%**	**-7.1%**	**-0.1%**

In **Europe, Asia and the USA,** organic growth in revenues and issue volume has been strong throughout the year at **+7.5%** and **+6.7%** respectively. This strong performance reflects solid face value increases in most countries, and more specifically double digit organic growth in Central Europe. The significant digital migration in India has been managed successfully, and growth bounced back in the last quarter of the year. Good momentum in the Incentive and Recognition activity in the USA and the UK (revenues without issue volume) continued. The launch of *Rydoo*, the new end-to-end Travel and Expense management system, was completed in June and the business development since is in line with expectations.

Organic revenue growth in **Latin America** was **+2.4%** for the full year, reflecting an improvement in the trend in the second half as recovery started to come through in Brazil even though interest rates have remained much lower than last year. Issue volume growth also improved in the second half, ending the year up **+7.0%** helped by increases in face value and the number of beneficiaries. From the third quarter, inflation and interest rates in Brazil have been progressively stabilizing and the comparable base has become easier.

Underlying operating profit

Fiscal 2018 Underlying operating profit amounted to 1,128 million euro, down -15.8%, or -8.6% excluding the currency effect. As a result, the Underlying operating margin was 5.5%, down -100 basis points relative to the previous year. Excluding the currency impact, principally linked to the weakness of the Brazilian real against the euro, the margin was 5.7%, down -80 basis points, in line with the revised guidance provided on March 29, 2018.

The 80 basis points decline in Underlying operating profit margin excluding currencies is explained by:

- The expected decline in margins of Benefits & Rewards due to lower interest rates in Brazil, higher costs linked to digital migration in several large countries at the same time and investments in the mobility activities. The recovery in Brazil in the second half mitigated the annual decline.
- Generally, in On-site Services, there was an improvement in the margin in the second half versus first half, as a result of the many action plans put in place. However, the second half comparative base was high.
- The slower than expected ramp-up of profitability in a small number of large On-site contracts even though negotiations with certain clients have been resolved which has led to some improvement in the second half.
- A shortfall in Education and Health Care, particularly in North America, due to the delays in the execution of planned efficiency programs which were aimed at compensating anticipated weak revenues.

- Corporate expenses were also up due to investments in marketing, digital and innovation.

Underlying Operating profit by activity

(in millions of euro)	Underlying Operating profit Fiscal 2018	Difference vs FY17	Difference vs FY17 (excluding currency effect)	Underlying Operating profit margin Fiscal 2018	Difference in underlying operating margin vs FY17	Difference in Underlying operating margin vs FY17 (excluding currency effect)
Business & Administrations	458	-11.5%	-6.2%	4.2%	-70 bps	-70 bps
Health Care & Seniors	306	-9.5%	-3.1%	6.4%	-30 bps	-30 bps
Education	222	-21.5%	-15.6%	5.8%	-90 bps	-90 bps
On-site Services	**986**	**-13.4%**	**-7.6%**	**5.0%**	**-70 bps**	**-70 bps**
Benefits and Rewards Services	**262**	**-14.3%**	**-3.7%**	**30.8%**	**-290 bps**	**-180 bps**
Corporate expenses & Intragroup eliminations	(120)	-15.9%	-16.7%			
Underlying Operating Profit	**1,128**	**-15.8%**	**-8.6%**	**5.5%**	**-100 bps**	**-80 bps**

The performance by segment, excluding the currency effect, is as follows:

- **Business & Administrations** Underlying operating profit decreased by -6.2% and the operating margin decreased by -70 basis points. This performance reflects execution issues in some of our larger accounts, as well as investments in sales, marketing and new offers.
- In **Health Care & Seniors** the decline in Underlying operating profit and margin was respectively -3.1% and -30 basis points. This reflects the weakness in the top line particularly in North America and delays in the delivery of efficiencies from the productivity programs. Productivity is improving now and should accelerate into Fiscal 2019. In the fourth quarter, the new management and sales structures have been put in place which should boost execution and sales in North America.
- In **Education,** underlying operating profit fell by -15.6% and the margin by -90 basis points due to the impact of low retention, particularly in North America. While the labor scheduling and SKU management programs are starting to come through in the second half, inflation in labor costs has offset this productivity. Pricing negotiations confirm that labor inflation has been passed through for Fiscal 2019.

In **Benefits & Rewards Services**, the Underlying operating profit and margin were down respectively -3.7% and -180 basis points excluding currency impacts. The first half was down -320 basis points due to the costs of digital migration, particularly in India and the Czech Republic, lower interest rates in Brazil and investments in the Mobility & Expense activities. However, the second half was better, down only -60 basis points, benefiting from the strong recovery in volumes and progressive stabilization of the interest rate impact in Brazil.

Group net profit

Other operating income and expense

Other operating income and expenses were 131 million euro versus 151 million euro in the previous year. Restructuring costs fell very significantly to 42 million euro from 137 million euro in the previous year linked to the Adaptation and Simplification program. However, acquisition costs and amortization and depreciation of client relationships, linked principally to the Centerplate acquisition, and brands, were up and there were some provisions resulting from scope changes in the Middle East.

(in millions of euro)	FY 2018	FY 2017
Total other operating income	**10**	**24**
Gains related to perimeter changes	3	21
Gains on changes of post-employment benefits	-	3
Other	7	-
Total other operating expenses	**(141)**	**(176)**
Restructuring and rationalization costs	(42)	(137)
Acquisition-related costs	(15)	(6)
Losses related to perimeter changes	(18)	-
Losses on changes of post-employment benefits	-	(2)
Amortization and impairment of client relationships and trademarks	(52)	(31)
Impairment of non-current assets	-	-
Other	(14)	-
Other Operating income and expenses	**(131)**	**(151)**

As a result, the **Operating Profit** was 997 million euro down from 1,189 million euro.

Net financial expenses fell by 15 million euro essentially due to two factors: an early redemption indemnity of 10 million euro last year and interest on the dividend tax reimbursement this year of 7 million euro. Otherwise, despite the significant increase in debt during the year, due to, in particular, the acquisition of Centerplate in January 2018, the cost of debt was stable with a blended cost of debt at 2.5% as at August 31, 2018 versus 2.4% a year earlier. During the year, the Group issued a bond of 300 million euro in May at 1.125% and a US private placement of 400 million dollars in June at 3.7%.

The **effective tax rate** fell to 27.1% in Fiscal Year 2018, compared to 31.7% in Fiscal Year 2017. The rate benefits from a positive one-off in France from the reimbursement of the 3% contribution on distributed dividends over the period 2013-2017. The reduction in the income tax rate in the USA (from 35% to a blended 25.7%) is partly offset by the realignment of deferred taxes and the deemed repatriation tax. The tax rate for Fiscal Year 2019 is expected to be around 29 % as the Group will benefit fully from the tax rate reduction in the USA.

The share of **profit of other companies consolidated by the equity method** was 2 million euro. Profit attributed to non-controlling interests was 13 million euro against 22 million euro in the previous year due principally to the disposal of subsidiaries.

As a result, **Group net profit** was 651 million euro, down -9.9%, or -4.0% excluding the negative currency impact. **Underlying net profit** amounted to 706 million euro, down -14.0% at current rates or -8.6% excluding the currency effect, adjusted for Other operating income and expenses at a normalized tax rate.

Earnings per share

Underlying Earnings per share amounted to 4.77 euro, down -13.6%.

Published EPS was 4.40 euro, down -9.4%. The 50-basis point accretion relative to the change in net profit is due to the effect of the 300-million-euro share buy-back during the year resulting in a lower weighted average number of shares of 148,077,776 relative to 148,998,961 shares for Fiscal 2017.

Proposed dividend

At the annual Shareholder's Meeting to be held on January 22, 2019, the Board of Directors will recommend a dividend of 2.75 euro per share for Fiscal 2018, stable relative to the prior year. This proposal reflects the Board's confidence in the Group's strategy. As a result, the pay-out ratio will be 58% on Underlying net profit and 63% on published net profit.

Consolidated financial position

Cash flows

Cash flows for the period were as follows:

(in millions of euro)	Fiscal 2018	Fiscal 2017
Operating cash flow	1,140	1,076
Change in working capital excluding change in BRS financial assets*	221	120
Net capital expenditure	(286)	(308)
Free cash flow	**1,076**	**887**
Net acquisitions	(697)	(268)
Share buy-backs	(300)	(300)
Dividends paid to shareholders	(411)	(359)
Other changes (including scope and exchange rates)	(316)	(164)
(Increase)/decrease in net debt	**(648)**	**(204)**

* *Excluding change in financial assets related to the Benefits and Rewards Services activity (-228m€ in Fiscal 2018 and-134 million euro in Fiscal 2017). Total change in working capital as reported in consolidated accounts: in Fiscal 2018: -7 m€ = 221m€-228m€ and in Fiscal 2017 -14 m€ = 120m€-134m€*

Operating cash flow totaled 1,140 million euro up +5.9%, due to much lower cash taxes, and to a lesser extent, the reduction in net interest paid. The positive inflow of Working capital of 221 million euro was due to improved operational cash management throughout the Group.

Net capital expenditure, including client investments amounted to 286 million euro, representing 1.4% of revenues compared to 1.5% last year. This reflects the poor retention in Education in the previous year as Education, with Sports & Leisure, is the most capital-intensive segment. As previously announced, this rate is expected to increase over the next few years, as investments in IT and digital increase by 30 to 50 million euro annually, Education retention and development improve and Centerplate ramps-up its new business wins.

Free cash flow reached 1,076 million euro. This represented a substantial improvement on Fiscal 2017 free cash flow, at 887 million euro. As a result, cash conversion reached 165% compared to 123% in Fiscal 2017.

Net acquisitions and disposals of subsidiaries increased significantly to 697 million euro from 268 million euro in the previous year, reflecting, in particular, the acquisition of Centerplate for a total of 610 million euro. After taking into account share buy-backs of 300 million euro, dividend payments of 411 million euro, and Other changes, principally linked to currency impacts and perimeter changes, consolidated net debt rose during the year by 648 million euro to 1,260 million euro at August 31, 2018.

Acquisitions for the period

During Fiscal 2018, Sodexo substantially increased the size of its acquisition spend.

The Group made a strategic move with *Centerplate* in the USA, providing the Group with the size and credibility in Sports & Leisure in North America to complement its strong positions in Europe. The size of the stadiums and conference centers are much bigger in the USA than in Europe.

During the year, the Group's offer was also enriched with the acquisition of the digital food company, *FoodChéri* in France. Benefits & Rewards has also strengthened its offer in the area of health and sports services with the acquisition of *Gymlib* in France and *Gym for Less* in Spain.

Technical expertise was extended in Singapore with the acquisition of *Kim Yew*.

The Group has consolidated its positions in the mining market in Australia with the acquisition of *Morris*.

2018 Share buy-back program

On April 12, 2018, Sodexo announced a 300-million-euro share buy-back program reflecting the Board's confidence in the future of the Group despite the disappointing first half figures and revised guidance. The share buy-back program was completed on August 13, 2018 with the purchase of 3,356,732 shares, representing 2.2% of the capital, at an average price of 88.92€. A total of 3,375,562 shares were cancelled in the August Board meeting. As a result, at August 31, 2018, the total number of shares was 147,454,887 down from 150,830,449 as at year end Fiscal 2017.

Condensed consolidated statement of financial position at August 31, 2018

(in millions of euro)	**August 31, 2018**	August 31, 2017
Non-current assets	7,944	7,416
Current assets excluding cash	4,628	4,531
Restricted cash Benefits and Rewards	615	511
Financial assets Benefits and Rewards	427	398
Cash	1,666	2,018
Total assets	**15,280**	**14,874**

(in millions of euro)	**August 31, 2018**	August 31, 2017
Shareholders' equity	3,283	3,536
Non-controlling interests	45	34
Non-current liabilities	4,330	3,885
Current liabilities	7,622	7,419
Total liabilities and shareholders' equity	**15,280**	**14,874**
Gross debt	**3,940**	**3,500**
Net debt	**1,260**	**611**
Gearing	**38%**	**17%**
Net debt ratio	**1.0**	**0.4**

As of August 31, 2018, net debt was 1,260 million euro, representing a gearing of 38%, compared to 17% as of August 31, 2017, and a net debt ratio of 1.0, back into the Group's target range of 1 to 2.

The Group's financial position remains strong with cash flow covering investments, acquisitions and the dividend and despite a particularly significant acquisition spend in the year. Gearing and net debt ratio have increased due to the share buy-back. During Fiscal 2018, the Group issued a 7-year bond for an amount of 300 million euro out to May 2025 with a coupon of 1.125% and a 5-year US dollar placement of 400 million dollars at 3.7% which has extended the average maturity to 5.6 years. The blended cost of debt as of August 31, 2018 was 2.5% stable against 2.4% in the previous year.

At the end of Fiscal 2018, the Group had an operating cash position of 2,680 million euro and unused lines of credit totaling 1,589 million euro. As a reminder, the cash position includes 1,987 million euro for Benefits and Rewards Services (including restricted cash for 615 million euro, financial assets for 427 million euro and 28 million euro of bank overdrafts).

Subsequent events

Since the beginning of Fiscal 2019, two further acquisitions have been closed:

- *Crèches de France*: consolidating the Group's position in the child-care market in France with the acquisition of Crèches de France at the beginning of September.
- *Novae Restauration*, to strengthen Sodexo's footprint in Switzerland. *Novae Restauration* is a major player in the high-end catering services for French-speaking Switzerland, with 700 employees serving a network of over 80 prestigious client sites. *Novae Restauration* and Sodexo Switzerland have complementary client portfolios and offers: *Novae Restauration*'s comprehensive offer of premium catering services complements Sodexo's position as a facilities management provider on the German Swiss market. There is strong potential for synergies in terms of cross-selling and cross geographic development.

Outlook

During the Capital Markets Day on September 6, 2018, Denis Machuel, Group CEO, presented his strategic agenda to return the Group to market-leading growth.

In the series of presentations, Sodexo's managers highlighted:

- Sodexo's strong positions in significant and growing addressable markets;
- How the Group has successfully diversified from a pure food offering to an integrated services provider;
- How Sodexo is reasserting its excellence in food services at the heart of its Quality of Life integrated services proposition;
- How the action plans that are being rolled out are:
  - addressing the specific areas of underperformance, particularly in North America;
  - simplifying the organization to gain in focus and effectiveness;
  - strengthening the performance culture, by focusing the teams on operational KPIs, through the STEP[1] framework.
- How the whole organization is refocused on accelerating growth through Sodexo's strategic agenda by Reinforcing client and consumer centricity; Enhancing operational efficiency; Nurturing talent and Anchoring corporate responsibility.

Focus on Growth:

More specifically for Fiscal 2019, the management team is rolling out the action plans to ensure that enhanced productivity will free up the capacity to invest in sales, marketing, Information Systems & Technology, and digital to accelerate revenue growth.

In Onsite Services in North America, the Education selling season in Fiscal 2018 resulted in improved retention and stable new development. As a result, Fiscal 2019 growth in Education should be neutral. There are signs that Health Care signatures are also picking up progressively.

[1] STEP = Sodexo Targets for Enhanced Performance

The Africa, Asia, Australia, Latin America and Middle East region now accounts for 16% of total sales, and should continue to generate solid growth.

In Europe, while the UK public sector remains highly competitive, and Northern Europe is suffering from large contract losses and low development, the Energy & Resources activities in the North Sea are stabilizing, France is continuing to progress regularly and Southern and Eastern Europe should continue to generate good growth in all segments.

Benefits & Rewards is expected to generate growth of between 5 and 10% due to the progressive recovery in Brazil, the return to growth in India and steady progress in Europe in both the traditional benefits business as well as the Incentive & Recognition and mobility activities.

Progress in productivity and simplification will be reinjected into the organization to support sales growth, with more innovation, new offers, digital apps and reinvigorated sales and marketing efforts, aimed at retaining existing clients, boosting new sales and being more competitive.

Therefore, for Fiscal 2019, the Group expects to deliver:

- Organic growth of between +2 and +3%;
- An Underlying operating margin between 5.5% and 5.7%, excluding currency effects.

The strategic agenda is aimed at delivering market leading growth. The first steps to return to this performance are to achieve organic growth of more than 3% from Fiscal 2020 and then improve margins back up over 6% sustainably (at Fiscal 2017 exchange rates). **As explained during the Capital Markets Day, margin improvement will come with the right levels of growth.**

Alternative Performance Measure definitions

Financial ratios

		Fiscal 2018	Fiscal 2017
Gearing ratio	Borrowings[(1)] – operating cash[(2)] / Shareholders' equity and non-controlling interests	37.9%	17.1%
Net debt ratio	Borrowings[(1)] – operating cash[(2)] / Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)[(3)]	1.0	0.4
Debt coverage	Borrowings / Operating cash flow	3.5 years	3.3.years
Financial independence	Non-current borrowings / Shareholders' equity and non-controlling interests	106.3%	84.3%
Return on equity	Profit attributable to equity holders of the parent / Equity attributable to equity holders of the parent (before profit for the period)	24.7%	25.7%
Return on capital employed (ROCE)	Operating profit after tax[(4)] / Capital employed[(5)]	16.4%	20.6 %
Interest cover	Operating profit / Net borrowing cost	12.6	15.0

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

		Fiscal 2018	Fiscal 2017
(1) Borrowings	Non-current borrowings	3,537	3,012
	+ current borrowings excluding overdrafts	421	499
	- derivative financial instruments recognized as assets	(18)	(11)
		3,940	**3,500**
(2) Operating cash	Cash and cash equivalents	1,666	2,018
	+ financial assets related to the Benefits and Rewards Services activity	1,042	909
	- bank overdrafts	(28)	(38)
		2,680	**2,889**
(3) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	Operating profit	997	1,189
	+ depreciation and amortization	317	281
		1,314	**1,470**
(4) Operating profit after tax	Operating profit	997	1,189
	Effective tax rate	27.1%	31.7%
		727	**812**
(5) Capital employed	Property, plant and equipment	619	590
	+ goodwill	5,664	5,308
	+ other intangible assets	704	511
	+ client investments	558	547
	+ working capital excluding restricted cash and financial assets of the Benefits and Rewards Services activity	(3,104)	(3,009)
		4,441	**3,947**

Blended cost of debt

The blended cost of debt is calculated at period end and is the weighted blended financing rate on borrowings (including derivative financial instruments and commercial papers) and cash pooling balances at period end.

Free cash flow

Please refer to section Consolidated financial position.

Growth excluding currency effect

Change excluding currency effect calculated converting Fiscal 2018 figures at Fiscal 2017 rates, except for countries with hyperinflationary economies. As a result, for Venezuelan Bolivar, Fiscal 2018 and Fiscal 2017 figures in VEF have been converted at the exchange rate of USD 1 = VEF 6,112,000 vs. VEF 3,250 respectively.

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 date, less operating cash.

Operating margin

Operating profit divided by Revenues.

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 (or gain of control) and divestments, as follows:

- For businesses acquired (or gain of control) during the current period, revenue generated since the acquisition date is excluded from the organic growth calculation;
- For businesses acquired (or gain of control) 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 (or loss of control) 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 (or loss of control) 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 2018 and Fiscal 2017 in Venezuelan Bolivar, have been converted at the exchange rate of USD 1 = 6,112,000 (vs. VEF 3,250 for Fiscal 2017).

Underlying Net profit

Underlying Net profit presents a net income excluding significant unusual and/or infrequent elements. Therefore, it corresponds to the Net Income Group share excluding Other Income and Expense and significant non-recurring elements in both Net Financial Expense and Income Tax Expense.

In Fiscal 2018, the Underlying net profit excludes the following items and the related tax impact where applicable from Net Income Group share:

- Other Income and Expense for -131 million-euro, net of normalized tax rate of 30.2%;
- Interest received in France on tax reimbursement for 7 million euro;
- Reimbursement of the 3% tax on dividends received for 43 million euro;
- One-off impacts resulting from changes in the US tax regulation, for -13 million euro.

Underlying Net profit per share

Underlying Net profit per share presents the Underlying net profit divided by the average number of shares.

Underlying operating profit margin

Underlying operating profit divided by revenues

Underlying operating profit margin at constant rate

Underlying operating profit divided by revenues, calculated by converting Fiscal 2018 figures at FY 2017 rates, except for countries with hyperinflationary economies.

sodexo
QUALITY OF LIFE SERVICES

2

CONSOLIDATED FINANCIAL STATEMENTS AS OF AUGUST 31, 2018

Consolidated income statement

(in millions of euro)	FISCAL 2018	FISCAL 2017 [1]
Revenues	**20,407**	**20,698**
Cost of sales	(17,320)	(17,450)
Gross profit	**3,087**	**3,248**
Administrative and Sales Department costs	(1,963)	(1,913)
Share of profit of companies consolidated by the equity method that directly contribute to the Group's business	4	5
Underlying operating profit[1]	**1,128**	**1,340**
Other operating income	10	24
Other operating expenses[2]	(141)	(176)
Operating profit	**997**	**1,189**
Financial income	46	31
Financial expense	(136)	(136)
Share of profit of other companies consolidated by the equity method	2	4
Profit for the period before tax	**909**	**1,088**
Income tax expense	(245)	(343)
Profit for the period	**664**	**745**
Of which:		
Attributable to non-controlling interests	13	22
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**651**	**723**
Basic earnings per share *(in euro)*	**4.40**	**4.85**
Diluted earnings per share *(in euro)*	**4.34**	**4.79**

Consolidated statement of comprehensive income

(in millions of euro)	Fiscal 2018	Fiscal 2017
Profit for the period	**664**	**745**
Components of other comprehensive income to be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets		
Change in fair value of Cash Flow Hedge instruments		
Change in fair value of Cash Flow Hedge instruments reclassified to profit or loss		
Currency translation adjustment	(245)	(260)
Currency translation adjustment reclassified to profit or loss		(3)
Tax on components of other comprehensive income to be reclassified subsequently to profit or loss		
Share of other components of comprehensive income of companies consolidated by the equity method, net of tax	(1)	(3)
Components of other comprehensive income that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plan obligation	79	72
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	(13)	(21)
Total other comprehensive income (loss), after tax	**(180)**	**(215)**
COMPREHENSIVE INCOME	485	530
Of which:		
Attributable to equity holders of the parent	471	511
Attributable to non-controlling interests	14	19

Consolidated statement of financial position

Assets

(in millions of euro)	August 31, 2018	August 31, 2017
NON-CURRENT ASSETS		
Property, plant and equipment	619	590
Goodwill	5,664	5,308
Other intangible assets	704	511
Client investments	558	547
Companies consolidated by the equity method	83	89
Financial assets	190	163
Derivative financial instrument assets	3	4
Other non-current assets	18	17
Deferred tax assets	105	187
Total non-current assets	**7,944**	**7,416**
CURRENT ASSETS		
Financial assets	36	32
Derivative financial instrument assets	15	7
Inventories	280	257
Income tax receivable	176	185
Trade and other receivables	4,121	4,050
Restricted cash and financial assets related to the Benefits and Rewards Services activity	1,042	909
Cash and cash equivalents	1,666	2,018
Total current assets	**7,336**	**7,458**
TOTAL ASSETS	**15,280**	**14,874**

Shareholders' equity and liabilities

(in millions of euro)	August 31, 2018	August 31, 2017
SHAREHOLDERS' EQUITY		
Share capital	590	603
Additional paid-in capital	248	534
Reserves and retained earnings	2,445	2,399
Equity attributable to equity holders of the parent	**3,283**	**3,536**
Non-controlling interests	**45**	**34**
Total shareholders' equity	**3,328**	**3,570**
NON-CURRENT LIABILITIES		
Borrowings	3,537	3,011
Derivative financial instrument liabilities	-	1
Employee benefits	389	462
Other non-current liabilities	190	181
Provisions	88	93
Deferred tax liabilities	126	137
Total non-current liabilities	**4,330**	**3,885**
CURRENT LIABILITIES		
Bank overdrafts	28	38
Borrowings	420	498
Derivative financial instrument liabilities	1	1
Income tax payable	98	104
Provisions	73	61
Trade and other payables	4,222	3,953
Vouchers payable	2,780	2,764
Total current liabilities	**7,622**	**7,419**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**15,280**	**14,874**

Consolidated cash flow statement

(in millions of euro)	Fiscal 2018	Fiscal 2017
Operating activities		
Operating profit of consolidated companies	**993**	**1,184**
Elimination of non-cash and non-operating items		
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	317	281
Provisions	(15)	(31)
Disposal (gains) losses and other non-cash items	20	(3)
Dividends received from companies consolidated by the equity method	19	11
Interest paid	(117)	(120)
Interest received	51	25
Income tax paid	(128)	(271)
Operating cash flow	**1,140**	**1,076**
Change in working capital from operating activities	**(7)**	**(14)**
Change in inventories	(6)	(13)
Change in trade and other receivables	(160)	(196)
Change in trade and other payables	193	180
Change in vouchers payable	194	149
Change in financial assets related to the Benefits and Rewards Services activity	(228)	(134)
Net cash provided by operating activities	**1,133**	**1,062**
Investing activities		
Acquisitions of property, plant and equipment and intangible assets	(329)	(309)
Disposals of property, plant and equipment and intangible assets	31	19
Change in client investments	11	(16)
Change in financial assets and share of companies consolidated by the equity method	(40)	(38)
Acquisitions of subsidiaries	(683)	(257)
Dispositions of subsidiaries	11	(11)
Net cash used in investing activities	**(1,000)**	**(612)**
Financing activities		
Dividends paid to parent company shareholders	(411)	(359)
Dividends paid to non-controlling shareholders of consolidated companies	(13)	(10)
Purchases of treasury shares	(371)	(339)
Sales of treasury shares	25	20
Increase in share capital	1	1
Change in non-controlling interests	(5)	5
Proceeds from borrowings	645	1,118
Repayment of borrowings	(215)	(114)
Net cash provided by/ (used in) financing activities	**(345)**	**322**
CHANGE IN NET CASH AND CASH EQUIVALENTS	**(212)**	**772**
Net effect of exchange rates and other effects on cash	(130)	(139)
Net cash and cash equivalents, beginning of period	1,980	1,347
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**1,638**	**1,980**

Consolidated statement of changes in shareholders' equity

(in millions of euro)	Shares outstanding	Share capital	Additional paid-in capital	Treasury shares	Reserves and comprehensive income	Currency translation adjustment	Total shareholders' equity: Attributable to equity holders of the parent	Total shareholders' equity: Non-controlling interests	Total shareholders' equity: Total
Shareholders' equity as of August 31, 2016	**153,741,139**	**615**	**822**	**(352)**	**3,008**	**(425)**	**3,668**	**34**	**3,702**
Profit for the period					723		723	22	745
Other comprehensive income (loss), net of tax					48	(260)	(212)	(3)	(215)
Comprehensive income					**771**	**(260)**	**511**	**19**	**530**
Dividends paid					(359)		(359)	(22)	(381)
Capital reduction by cancelling treasury shares	(2,910,690)	(12)	(288)	300					
Treasury share transactions				(319)			(319)		(319)
Share-based payment (net of income tax)					43		43		43
Change in ownership interest without any change of control								1	1
Other [(1)]					(8)		(8)	2	(6)
Shareholders' equity as of August 31, 2017	**150,830,449**	**603**	**534**	**(371)**	**3,455**	**(685)**	**3,536**	**34**	**3,570**
Profit for the period					651		651	13	664
Other comprehensive income (loss), net of tax					65	(245)	(180)	0	(180)
Comprehensive income					**716**	**(245)**	**471**	**14**	**485**
Dividends paid					(411)		(411)	(16)	(427)
Capital reduction by cancelling treasury shares	(3,375,562)	(14)	(286)	300					
Treasury share transactions				(348)			(348)		(348)
Share-based payment (net of income tax)					44		44		44
Change in ownership interest without any change of control					(0)		(0)	14	13
Other [(1)]					(10)		(10)	0	(9)
Shareholders' equity as of August 31, 2018	**147,454,887**	**589**	**248**	**(419)**	**3,795**	**(930)**	**3,283**	**45**	**3,328**

(1) Including the effects of hyperinflation and the recognition of put options written over non-controlling interests other than in connection with business combinations.