PRESS RELEASE

Solid Sodexo First Half Fiscal 2019 Results

- **Organic growth at +3.1%, slightly above expectations**
- **All growth KPIs improved**
- **Underlying Operating Margin as expected**
- **Guidance maintained**

Issy-les-Moulineaux, April 11, 2019 - Sodexo (NYSE Euronext Paris FR 0000121220-OTC: SDXAY). At the Board of Directors meeting held on April 9, 2019 and chaired by Sophie Bellon, the Board closed the Consolidated accounts for the First Half of Fiscal 2019 ended February 28, 2019.

Financial performance for First Half Fiscal 2019:

(in millions of euro)	FIRST-HALF FISCAL 2019 (ENDED FEBRUARY 28, 2019)	FIRST-HALF FISCAL 2018 (ENDED FEBRUARY 28, 2018)	DIFFERENCE	DIFFERENCE CONSTANT RATES
Revenue	11,045	10,293	+7.3%	+6.8%
Organic growth	*+3.1%*	*+1.7%*		
UNDERLYING OPERATING PROFIT	647	627	+3.1%	+3.3%
UNDERLYING OPERATING PROFIT MARGIN	5.9%	6.1%	-20bps	-20bps
Other operating expenses	(69)	(73)		
OPERATING PROFIT	**578**	**554**	**+4.2%**	**+4.1%**
Net financial expense	(54)	(44)		
Effective tax rate	*28.8%*	*25.9%*		
GROUP NET PROFIT	**364**	**372**	**-2.3%**	**-2.6%**
EPS *(in euro)*	**2.50**	**2.51**	**-0.4%**	
UNDERLYING NET PROFIT	**413**	**397**	**+4.1%**	**+4.3%**
UNDERLYING EPS *(in euro)*	2.84	2.67	+6.2%	
Net Capital expenditure	205	123		
Free cash flow	14	125		
Debt Ratio	1.3	1.1		

Sodexo CEO Denis Machuel said:

" Growth has been encouraging in the second quarter in both Onsite Services and Benefits & Rewards. Client retention, development and same site sales growth KPIs are all improving. The margin is down slightly in Onsite Services, as expected, and up slightly in Benefits & Rewards. We have accelerated our capital expenditure in the Education and Sports & Leisure segments. These are good signs that our focus on growth agenda is beginning to move the cursor.

I am pleased with the progressive improvement in growth in North America, in Q1 and then in Q2. Steady progress is being made by the new Health Care North America team in reasserting discipline and accountability throughout the organization. We are also achieving strong growth in Brazil both in the Benefits & Rewards business as well as Onsite, helped by an improving economic environment.

We maintain our guidance both in top line organic growth and underlying operating profit margin."

Highlights of the period

- Organic revenue growth for the First Half Fiscal 2019, at +3.1%, was slightly better than expected, resulting from an encouraging second quarter performance at +3.6%, with growth accelerating in all segments, and in Benefits & Rewards Services.
- **On-site Services** organic revenue growth of +2.8% reflects:
  - Growth in North America turned positive in the first quarter at +0.2%, and accelerated in the second quarter to +2.4%. Europe was solid at +3% and the region Africa, Asia, Australia, Latin America, Middle East continues to grow at +6.9%, despite the ever higher comparable base.
  - All growth Key Performance Indicators are better year on year:
    - Client retention is up +40 bps;
    - New sales development increased + 70 bps;
    - Same site sales growth is +20 bps.
- **Benefits & Rewards Services** organic revenue growth is +10.1%. Organic growth in Europe remains sustained at +8.2% and is strong in Latin America at +12.5%, as the economic environment improves steadily in Brazil.
- **Underlying operating profit** increased +3.1%, resulting in an **underlying operating margin** of 5.9%, down 20 bps at constant exchange rates, principally due to:
  - A 30bps decline in On-site Services margins resulting from timing differences between investments in growth and expected efficiency gains, but also due to the renewal of the major Marine Corps contract in the USA.
  - A 30bps improvement in Benefits & Rewards due to strong recovery in Brazil and lower digital migration costs, particularly in India, following the significant investment required last year.
- **Other operating income and expenses** amounted to 69 million euro, down from 73-million-euro last year.
- **Reported net profit** of 364 million euro was down -2.3%. Basic EPS was €2.50, down by only -0.4%, due to a lower share count as a result of the share buy-back in the previous fiscal year. **Underlying Net profit** totaled 413 million euro, up +4.1%.
- **Free cash flow** was 14 million euro, a normal level for the First Half, despite a substantial increase in capital expenditure, which reached 1.9% of revenues for the period. As a result, the net debt ratio at the end of the period was 1.3x against 1.1x at the end of the First Half last year.

- **Acquisitions**, net of disposals, amounted to **234 million euro**, in First Half Fiscal 2019 with Crèches de France, doubling the Group's presence in the child-care market in France, Novae Restauration, significantly enhancing the Group's presence in the high-end catering market Switzerland, Pronep, with which we have entered the Brazilian home care market and Alliance in Partnership in the UK, a specialist education caterer, reinforcing our focus on high quality, locally sourced and seasonal meals at competitive prices.
- Sodexo's engagement in corporate responsibility continues to be recognized within the investment community, with the **highest marks in *SAM*'s "Sustainability Yearbook", for the 12th consecutive year**. Sodexo also remains the top-rated company in its sector within the **Dow Jones Sustainability Index (DJSI), for the 14th consecutive year** confirming Sodexo's commitment to Quality of Life.

Board composition

The following changes to the board have been approved by the Board of Directors since the Annual General Meeting of the shareholders on January 22, 2019.

- Sophie Stabile has replaced Emmanuel Babeau as Chair of the Audit committee and has joined the Compensation Committee;
- Emmanuel Babeau has resigned from the Compensation Committee;
- Robert Baconnier has resigned from the Audit Committee;
- Cécile Tandeau de Marsac has replaced Françoise Brougher as Chair of the Nominating Committee.

As a result, the composition of the board committees is now as follows:

- Audit Committee:
  - Sophie Stabile, Committee Chair, Independent Director
  - Emmanuel Babeau, Independent Director
  - François-Xavier Bellon
  - Soumitra Dutta, Independent Director
  - Cathy Martin, Director representing employees
- Nominating Committee:
  - Cécile Tandeau de Marsac, Committee Chair, Independent Director
  - Sophie Bellon
  - Nathalie Bellon-Szabo
  - Françoise Brougher, Independent Director
- Compensation Committee:
  - Cécile Tandeau de Marsac, Committee Chair, Independent Director
  - Sophie Stabile, Independent Director
  - Françoise Brougher, Independent Director
  - Philippe Besson, Director representing employees

- Following the recommendation of the Nominating Committee, the Board will propose, at the next Shareholders meeting, the appointment of Luc Messier as an independent Director of the company. Mr. Messier holds both Canadian and American citizenship, and will bring significant international operational experience, notably in the oil and gas sector, through executive management positions held with large French and American multinational companies (*ConocoPhilips, Technip, Bouygues, Pomerlau*). He has lived and worked in Asia, Africa, Europe, and North America, most recently for several years in the United States, where he currently resides.

Sodexo Chairwoman, Sophie Bellon said:

" I am very pleased to propose Luc Messier as a new Board Member. He will bring valuable operational experience garnered from the different companies and countries in which he has worked, notably the United States.

Board renewal continues to be an important priority. Fostering new momentum, open discussions and best practice within the Boardroom are key to support and accelerate the execution of our strategy and the achievement of our objectives."

Outlook

Growth in the First Half Fiscal 2019 of +3.1% was slightly above expectations. For the Second Half, we see continued growth in developing economies, although the comparable base is high, some contracts being exited and improvement in North America remaining challenging. **Therefore, the Group maintains its objective of organic revenue growth of between 2 and 3%.**

The action plans are being executed with a clear focus on growth and on margin protection to ensure that 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. Margin improvement will come with the right levels of growth, **the objective being a return to an underlying operating margin sustainably over 6%.**

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 of First Half Fiscal 2019. Those who wish to connect from the UK may dial +44 (0) 207 192 8000 or from France +33 (0)1 76 70 07 94, or from the USA +1 866 966 1396, followed by the passcode **1764637.**

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

Nine-month revenues	July 8, 2019
Annual results	November 8, 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 72 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

15.0 billion euro in market capitalization (as of April 10, 2019)

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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ACTIVITY REPORT
FOR FIRST HALF FISCAL 2019

sodexo
QUALITY OF LIFE SERVICES

FISCAL 2019 FIRST HALF ACTIVITY REPORT

(September 1, 2018 to February 28, 2019)

Revenue Analysis

REVENUES BY SEGMENT (In millions of euro)	H1 FY19	H1 FY18	RESTATED ORGANIC GROWTH	ORGANIC GROWTH	EXTERNAL GROWTH	CURRENCY EFFECT	TOTAL GROWTH
Business & Administrations	**5,645**	5,295	+2.8%[1]	+1.2%	+6.3%	-0.9%	+6.6%
Health Care & Seniors	**2,552**	2,359	+2.2%[1]	+5.6%	+0.4%	+2.1%	+8.2%
Education	**2,420**	2,228	+3.6%	+3.6%	+1.8%	+3.2%	+8.6%
On-site Services	**10,617**	**9,882**	**+2.8%**	**+2.8%**	**+3.9%**	**+0.7%**	**+7.4%**
Benefits & Rewards Services	**430**	**413**	**+10.1%**	**+10.1%**	**+0.2%**	**-6.3%**	**+4.1%**
Elimination	**-2**	-2					
TOTAL GROUPE	**11,045**	**10,293**	**+3.1%**	**+3.1%**	**+3.7%**	**+0.5%**	**+7.3%**

First-half fiscal 2019 consolidated revenues totaled 11 billion euro, up +7.3% year-on-year. Currency effects during the period were limited to +0.5%, due to the strength of the dollar compensating the decline in the Brazilian Real. The contribution from acquisitions net of disposal of subsidiaries was +3.7%, with the impact of *Centerplate* for the first 4 months of the period and the smaller acquisitions since the beginning of the year. As a result, organic revenue growth was +3.1%, with a significant acceleration in the second quarter which was up +3.6%.

Brexit:

In June 2016, the United Kingdom voted to leave the European Union. Sodexo has been present in the country 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. Action plans have been put in place to limit the impact of a hard Brexit on food prices and availability. We have noticed a slowdown in new business opportunities. However, same site sales growth remains solid.

Analysis of organic revenue growth in On-site Services

On-site Services organic revenue growth of **+2.8%** reflects:

- Growth in North America turned positive in Q1 at +0.2%, and accelerated in Q2 to +2.4%. Europe was solid at +3% and the Rest of the World continues to grow at +6.9%, despite the ever higher comparable base.
- All growth Key Performance Indicators are better year on year:
  - Client retention is 97.8%, up by +40 bps;
  - New sales development is 3%, an increase of +70 bps
  - Same site sales growth is 2.5%, +20 bps.

[1] *Restated for inter-segment reclassification, see the Restatement Section for detail.*

Business & Administrations

REVENUES BY REGION *(In millions of euro)*	H1 FY19	H1 FY18	RESTATED ORGANIC GROWTH
North America	**1,571**	1,258	+0.8%
Europe	**2,657**	2,638	+2.1%
Africa, Asia, Australia, LatAm, Middle East	**1,418**	1,399	+5.9%
BUSINESS & ADMINISTRATIONS TOTAL	**5,645**	**5,295**	**+2.8%**

First Half Fiscal 2019 **Business & Administrations** revenues totaled **5.6 billion euro**, with organic growth of +2.8%.

First Half revenues in **North America were up +0.8%.** The decline of -1.3% in the first quarter due to a previous year large one-off project in Energy & Resources was more than compensated by the return to positive organic growth in the second quarter. Strong growth in Corporate Services was driven by same site sales growth and new contracts. Government & Agencies activity was down due to the renewal of the Marine Corps at lower comparable unit sales. The consolidation impact of the acquisition of *Centerplate* ended in December. *Centerplate* is currently going through a significant renewal process; most contracts have been renewed and, often extended to other services, successfully and some less profitable ones have been exited.

In Europe, sales were **up +2.1% organically**. After a strong start to the year, tourism in Paris slowed down in the second quarter. Corporate services continued to generate solid growth due to cross selling in all countries. Government & Agencies stabilized in the second quarter, after the exit of British Army contracts. Energy & Resources performance in the North Sea is stabilizing.

In **Africa, Asia, Australia, Latin America, Middle East** organic revenue growth was **+5.9%** reflecting strong growth in both new business and same site sales in Corporate services offset somewhat by the end of several large construction projects and a low level of contract signatures in Energy & Resources.

Health Care & Seniors

REVENUES BY REGION *(In millions of euro)*	H1 FY19	H1 FY18	RESTATED ORGANIC GROWTH
North America	**1,571**	1,483	+1.3%
Europe	**836**	746	+1.7%
Africa, Asia, Australia, LatAm, Middle East	**144**	130	+16.9%
HEALTH CARE & SENIORS TOTAL	**2,552**	**2,359**	**+2.2%**

Health Care and Seniors revenues amounted to **2.6 billion euro**, up +2.2% organically.

In **North America,** organic growth was **+1.3%,** improving progressively quarter after quarter due to solid comparable unit growth helped by inflation pass-through and cross-selling. While Seniors retention has been weak, Health Care has been strong to date and development has been trending upwards.

In **Europe,** organic growth was **+1.7%,** boosted by strong same site sales growth through cross-selling and the startup of a new contract in Benelux. However, new business started up last year makes the comparable base more difficult in the UK. The Nordics is still declining due to negative net lost business.

In **Africa, Asia, Australia, Latin America, Middle East** organic revenue growth has remained strong all year, at **+16.9%** reflecting many new contract startups in Brazil, China and India, as clients seek to benefit from the transfer of the Group's global expertise in these countries.

Education

REVENUES BY REGION *(In millions of euro)*	H1 FY19	H1 FY18	ORGANIC GROWTH
North America	**1,795**	1,696	+1.4%
Europe	**573**	488	+10.4%
Africa, Asia, Australia, LatAm, Middle East	**52**	43	+10.5%
EDUCATION TOTAL	**2,420**	**2,228**	**+3.6%**

Revenues in **Education** were 2.4 billion euro, up 3.6%.

North America was up **+1.4%**, accelerating in the second quarter. While net new business from last year remains neutral, same site sales growth has been solid, helped by inflation pass-through. One less working day was more than compensated by strong retail sales in Universities and some project work in Schools.

In **Europe**, organic growth was **+10.4%.** This performance is driven by solid prior year contract wins, in the UK, some extra day impact and the start-up in January of the new Schools contract in the Yvelines department.

In **Africa, Asia, Australia, Latin America, Middle East**, organic growth was **+10.5%** resulting from the opening of several new School and University contracts in China, India and Singapore.

On-site Services Revenues by region

REVENUES BY REGION *(In millions of euro)*	H1 FY19	H1 FY18	ORGANIC GROWTH
North America	**4,937**	4,438	+1.2%
Europe	**4,066**	3,872	+3.0%
Africa, Asia, Australia, LatAm, Middle East	**1,614**	1,572	+6.9%
ONSITE SERVICES TOTAL	**10,617**	**9,882**	**+2.8%**

North America is back to growth, at +1.2%. Outside North America, On-site revenue growth was +4.1%, with a slowdown in Africa Asia, Australia, Latin America and the Middle East due to several construction projects coming to an end, and compared to the previous year double-digit growth.

Benefits & Rewards Services

Benefits & Rewards Services revenue amounted to 430 million euro, up +4.1%. The currency effect of -6.3% resulted in particular from the weakness of the Brazilian Real and the Turkish Lira. The scope change was +0.2% from the integration of several sports card activities. Organic growth in revenues was +10.1%.

Revenues

REVENUES BY ACTIVITY *(In millions of euro)*	H1 FY19	H1 FY18	ORGANIC GROWTH	EXTERNAL GROWTH	CURRENCY EFFECT	TOTAL GROWTH
Employee benefits	**341**	329	+11,4%			
Services diversification	**88**	84	+5,0%			
BENEFITS & REWARDS SERVICES	**430**	**413**	**+10,1%**	**+0,2%**	**-6,3%**	**+4,1%**

Employee benefits were up +11.4% compared to total issue volume of 6.8 billion euro, up +8.1%. Services diversification was up +5% with strong double-digit growth in Mobility & Expense and in Corporate Health and Wellness products offsetting a weak start of the year in Incentive and Recognition.

REVENUES BY REGION *(in millions of euro)*	H1 FY19	H1 FY18	ORGANIC GROWTH	EXTERNAL GROWTH	CURRENCY EFFECT	TOTAL GROWTH
Europe, USA and Asia	**244**	229	+8.2%			
Latin America	**186**	184	+12.5%			
BENEFITS & REWARDS SERVICES	**430**	**413**	**+10.1%**	**+0.2%**	**-6.3%**	**+4.1%**

In **Europe, Asia and the USA,** organic growth in revenues was **+8.2%** with solid growth in Western Europe and double-digit growth in Eastern and Southern Europe. Good momentum in the traditional benefits, Mobility and Health and Wellness activities is compensating weaker Incentive and Recognition activity. The launch of *Rydoo*, the new end-to-end Travel and Expense management system, was completed in June 2018 and the business development is very strong.

Organic revenue growth in **Latin America** was **+12.5%**, reflecting a strong recovery in Brazil, with growth in volumes, solid new business wins and a slightly more moderate competitive environment, thanks to a much-improved economic environment. Growth in Mexico remains strong.

REVENUES BY NATURE *(In millions of euro)*	H1 FY19	H1 FY18	ORGANIC GROWTH	EXTERNAL GROWTH	CURRENCY EFFECT	TOTAL GROWTH
Operating Revenues	**394**	377	+10.1%			
Financial Revenues	**36**	36	+10.4%			
BENEFITS & REWARDS SERVICES	**430**	**413**	**+10.1%**	**+0.2%**	**-6.3%**	**+4.1%**

In First Half Fiscal 2019, financial revenues growth was slightly better than operating revenues growth due to high interest rates in Turkey and an exceptionally high float in Romania since Q4 2018. Rates are stable in Brazil.

Underlying operating profit

Fiscal 2018 Underlying operating profit amounted to 647 million euro, up +3.1%, or +3.3% excluding the currency effect. As a result, the Underlying operating margin was 5.9%, down -20 basis points relative to the previous year.

Underlying Operating profit by activity

(in millions of euro)	UNDERLYING OPERATING PROFIT H1 FISCAL 2019	DIFFERENCE	DIFFERENCE (EXCLUDING CURRENCY EFFECT)	UNDERLYING OPERATING PROFIT MARGIN H1 FISCAL 2019	DIFFERENCE MARGIN	DIFFERENCE IN MARGIN (EXCLUDING CURRENCY MIX EFFECT)
Business & Administrations	205	+0.4%	+1.3%	3.6%	-30 bps	-30 bps
Health Care & Seniors	162	+9.6%	+5.8%	6.3%	+20 bps	+20 bps
Education	215	+1.7%	-2.0%	8.9%	-60 bps	-70 bps
ON-SITE SERVICES	**581**	**+3.3%**	**+1.2%**	**5.5%**	**-20 bps**	**-30 bps**
BENEFITS AND REWARDS SERVICES	**125**	**+1.0%**	**+11.8%**	**29.1%**	**-90 bps**	**+30 bps**
Corporate expenses & Intragroup eliminations	(60)	+0.8%	+0.8%			
UNDERLYING OPERATING PROFIT	**647**	**+3.1%**	**+3.3%**	**5.9%**	**-20 bps**	**-20 bps**

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

- **Business & Administrations:** Underlying operating profit was up +1.3% but the operating margin decreased by -30 basis points. This performance reflects timing disparity between efficiency gains and spending to accelerate growth. The US Marine Corps renewal also weighed on margins due to the step down in value. This will pick up over the life of the contract.
- **Health Care & Seniors:** Underlying operating profit was up +5.8% and the margin +20 basis points. The management team is progressively reinstalling discipline down through the organization in North America. Efficiency gains have been secured, and inflation is covered by pricing increases.
- **Education:** Underlying operating profit fell by -2% and the margin by -70 basis points. This decline is due to start-up costs of the Yvelines Schools contract in January and more general contract churn, particularly in North America. The semester was also impacted by strikes in France and lower working days in North America. In Universities, inflation has been passed through to clients.

In **Benefits & Rewards Services**, excluding currencies, the Underlying operating profit and margin were up respectively +11.8% and +30 bps, benefiting from the strong recovery in volumes and the stabilization of interest rates in Brazil. Investments were also down in migration costs. Nevertheless, the year-on-year weakness of the Real has significantly impacted the published margin which is down -90 bps.

Group net profit

Other operating income and expense

Other operating income and expenses were 69 million euro versus 73 million euro in the previous year period. Restructuring costs in the First Half amounted to 19 million euro against only 7 million euro in the previous year, but proportionally in line with full year figures in Fiscal 2018. However, acquisition costs were much lower compared to the previous year period in which the Centerplate costs were accounted for. Amortization and depreciation of client relationships increased to 43 million euro against 31 million euro in First Half Fiscal 2018, due to further brand impairment for 24 million euro, after 16 million euro last year

As a result, the **Operating Profit** was 578 million euro up +4.2%.

Net financial expenses increased by 10 million euro year on year essentially due to the absence this year of the exceptional interest payment on the dividend tax reimbursement last year of 7 million euro. The remainder is due to higher average debt resulting from the acquisition of Centerplate in January 2018 and the share buy-backs last year. The blended cost of debt was 2.3% as of February 28, 2019, compared to 2.2% at the end of First Half Fiscal 2018.

The **effective tax rate** of 28.8% does not include any exceptional elements, unlike the previous year First Half tax rate of 25.9% which benefited from the one-off reimbursement of dividend taxes. The current rate reflects the full effect of the reduction in the US tax rate, which took effect in January 2018.

The share of **profit of other companies consolidated by the equity method** was 2 million euro. Profit attributed to non-controlling interests was 11 million euro against 7 million euro in the previous year.

As a result, **Group net profit** was 364 million euro, down -2.3%, or -2.6% excluding the positive currency impact. **EPS was €2.50,** down by only -0.4%, due to a lower share count as a result of the share buy-back in the previous fiscal year.
Underlying net profit (adjusted for Other operating income and expenses at a normalized tax rate) amounted to 413 million euro, up +4.1% or +4.3% excluding the currency effect. **Underlying EPS was 2.84€, up +6.2%.**

Consolidated financial position

Cash flows

Cash flows for the period were as follows:

(in millions of euro)	FIRST-HALF FISCAL 2019	FIRST-HALF FISCAL 2018
Operating cash flow	648	650
Change in working capital excluding change in BRS financial assets*	(428)	(402)
Net capital expenditure	(205)	(123)
FREE CASH FLOW	**14**	**125**
Net acquisitions	(234)	(674)
Share buy-backs/ Treasury stock	12	(49)
Dividends paid to shareholders	(403)	(411)
Other changes (including scope and exchange rates)	32	(43)
(INCREASE)/DECREASE IN NET DEBT since August 31	**(579)**	**(1,052)**

* *Excluding change in financial assets related to the Benefits and Rewards Services activity (+€55m in H1 Fiscal 2019 and €(73)m in H1 Fiscal 2018).*
Total change in working capital as reported in consolidated accounts:
in H1 Fiscal 2019: €(373)m = €(428)m+€55m and in H1 Fiscal 2018 €(475)m = €(402)m+€(73)m

Operating cash flow totaled 648 million euro, stable on the previous year. The increase in operating cashflow was offset by higher cash taxes, amounting to 64 million euro versus 46 million euro in the previous year, and higher net interest paid. Last year, both benefited from the exceptional dividend tax reimbursement, and associated exceptional interest payment. The traditional negative Working capital variation in the First Half of 428 million euro is principally due to the difference in activity levels between August 31 and February 28.

In line with the Centerplate contract renewal campaign and enhanced retention in Education, net capital expenditure increased substantially to 205 million euro for the period, representing 1.9% of revenues, versus 123 million euro in First Half Fiscal 2018, or 1.2% of revenues. More than two thirds of this increase in investments is attributable to the Education and Sports & Leisure segments.

Free cash flow was 14 million euro. The underlying performance on cash is solid given the significant increase in capital expenditure. Note that the Free cash flow last year was exceptionally high due to the dividend tax reimbursement and related interest payment which together amounted to around 50 million euro.

Net acquisitions and disposals of subsidiaries returned to a more modest level at 234 million euro from the higher levels of the previous year linked the acquisition of Centerplate for a total of 610 million euro. The combination of increased capital expenditure, more modest acquisitions and the annual dividend which was held stable on a smaller number of shares, consolidated net debt rose during the year by 579 million euro to 1,839 million euro at February 28, 2019.

Acquisitions for the period

During the First Half Fiscal 2019, the Group completed four acquisitions:

- *Crèches de France*, doubling the Group's presence in the child-care market in France,
- *Novae Restauration*, significantly enhancing the Group's presence in the high-end catering market in Switzerland,
- *Pronep* providing an entry point into the Brazilian home care market.
- *Alliance in Partnership* in the UK, a specialist education caterer, reinforcing our focus on high quality, locally sourced and seasonal meals at competitive prices.

Total revenues generated by acquisitions during the period contributed 3.7% to growth in the First Half Fiscal 2019, influenced by the last months of the consolidation of Centerplate. The contribution in the next two quarters will be lower but is expected to be between 2 and 2.5% for the full year.

Condensed consolidated statement of financial position at February 28, 2019

(in millions of euro)	**FEBRUARY 28, 2019**	FEBRUARY 28, 2018
Non-current assets	9,147	7,981
Current assets excluding cash	5,581	5,207
Restricted cash Benefits and Rewards	577	495
Financial assets Benefits and Rewards	458	465
Cash	1,950	1,519
TOTAL ASSETS	**17,714**	**15,668**

(in millions of euro)	**FEBRUARY 28, 2019**	FEBRUARY 28, 2018
Shareholders' equity	3,999	3,343
Non-controlling interests	46	34
Non-current liabilities	4,615	3,956
Current liabilities	9,055	8,335
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17,714**	**15,668**
GROSS DEBT	**4,753**	**4,062**
NET DEBT	**1,839**	**1,663**
GEARING	**45%**	**49%**
NET DEBT RATIO	**1.3**	**1.1**

As a result of IFRS 9, effective since the beginning of Fiscal 2019, the Group now values its financial investments at fair value. As a result, the Group's 19.6% stake in Bellon SA, Sodexo's controlling shareholder, and other financial assets have been revalued by 688 million euro. The value of the Bellon SA stake has been revised from the historic cost of 32 million euro to a fair value of 662 million euro as of February 28, 2019. For further information, please refer to note 6.2.2. to the Financial Statements.

As of February 28, 2019, net debt was 1,839 million euro, representing a gearing of 45%, compared to 49% as of February 28, 2018, and a net debt ratio of 1.3, well within the Group's target range of 1 to 2.

Despite the seasonally higher level of debt at the end of the First Half of the year, the Group's financial position remains strong. At the end of the period, the Group had unused lines of credit totaling 1.6 billion euro.

The operating cash position totaled 2,914 million euro as of February 28, 2019, including bank overdrafts for 72 million euro. The Benefits & Rewards Services position was 2,171 million euro, including 577 million euro of restricted cash and 458 million euro of financial assets of more than three months.

Subsequent events

- On April 8, 2019, Sodexo announced the acquisition of The Good Care Group. With this acquisition, Sodexo is expanding its services in the UK live-in care market and will be ranked second nationally in the live-in care market and among the top five in the private-paid care market
- As of March 4, 2019, Sodexo Inc reimbursed 150 million US dollars of a loan, at maturity, subscribed by American investors in 2014.

Related party transactions

- The main related party transactions are presented in Notes 6.4.11 to the First Half Fiscal 2019 consolidated financial statements.

Main risks and uncertainties

- The main risks and uncertainties are not materially different from those described in the Risk Management section of the Fiscal 2018 Registration Document file with the *Autorité des Marchés Financiers* (AMF) on November 22, 2018 except for litigations mentioned in note 6.4.12 of the First Half Fiscal 2019 consolidated financial statements.

Currency effect

- 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.

1€=	AVERAGE RATE H1 FY 19	AVERAGE RATE H1 FY 18	AVERAGE RATE H1 FY 19 VS. H1 FY18	REFERENCE RATE FY 18	CLOSING RATE H1 FY 19 AT 28/02/2019	CLOSING RATE 28/02/19 VS. 31/08/18	CLOSING RATE 28/02/19 VS. 28/02/18
U.S. DOLLAR	1.145	1.195	+4.4%	1.193	1.142	+2.1%	+6.5%
POUND STERLING	0.887	0.885	-0.3%	0.884	0.858	+4.5%	+2.9%
BRAZILIAN REAL	4.398	3.864	-12.1%	4.075	4.269	+13.8%	-7.8%

Note: Reference rate Fiscal 2018 is the average rate for Fiscal year 2018, used for organic growth calculation.

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

(H1'19)	% OF REVENUES	% OF UNDERLYING OPERATING PROFIT
U.S. DOLLAR	43%	56%
EURO	26%	5%
UK POUND STERLING	8%	7%
BRAZILIAN REAL	5%	16%

The currency effect is determined by applying the previous year's average exchange rates to the current year figures except in hyper-inflationary economies where all figures are converted at the latest closing rate for both periods when the impact is significant.

As a result, for the calculation of organic growth of Benefits & Rewards in Argentina Peso figures for H1 FY 2019 and H1 FY 2018 have been converted at the exchange rate of 1€ = 44.045 ARS vs 44.302 ARS for FY 2018.

Starting FY19 Venezuela is accounted for using the equity method. Consequently, Venezuela is no longer included in revenue.

Inter-segment restatements

Since the beginning of Fiscal 2019, some contracts have been reallocated between segments. The major change was in some European countries, where after several years of restructuring, the business has now been segmented for the first time. As a result, the Hospitals and Seniors business is now reported in Health Care and Seniors while it was previously reported in Business & Administrations, as are all the non-segmented businesses.

Given the low materiality of these changes, pro forma figures for FY 2018 are not required. FY 2019 organic growth and variations in UOP margin have been adjusted to take into account such changes.

Below are the adjustments for these restatements for each quarter of Fiscal 2018.

REVENUES *(In millions of euro)*	FY18			Q1 FY18			Q2 FY18			Q3 FY18			Q4 FY18		
	B&A	HC	EDU	B&A	HC	EDU	B&A	HC	EDU	B&A	HC	EDU	B&A	HC	EDU
North America	**-12**	**+9**	**+3**	-3	+2	+1	-3	+2	+1	-3	+2	+1	-3	+2	+1
Europe	**-158**	**+158**		-41	+41		-39	+39		-41	+41		-37	+37	
Africa, Asia, Australia, Latam, Middle East	**+10**	**-10**		+3	-3		+2	-2		+2	-2		+3	-3	

Alternative Performance Measure definitions

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.

Financial Ratios Definitions

		H1 2019	H1 2018
Gearing ratio	Gross borrowings(1) – operating cash(2) / Shareholders' equity and non-controlling interests	45%	49%
Net debt ratio	Gross borrowings(1) – operating cash(2) / Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)(3)	1.3	1.1

Financial Ratio Reconciliation

		H1 2019	H1 2018
(1) **Gross borrowings**	Non-current borrowings	3,576	2,978
	+ current borrowings excluding overdrafts	1,189	1,095
	- derivative financial instruments recognized as assets	(13)	(12)
		4,753	**4,062**
(2) **Operating cash**	Cash and cash equivalents	1,950	1,519
	+ financial assets related to the Benefits and Rewards Services activity	1,035	960
	- bank overdrafts	(72)	(81)
		2,914	**2,399**
(3) **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)**	Operating profit	1,021	1,157
	+ depreciation and amortization	347	296
		1,368	**1,453**

Free cash flow

Please refer to the section entitled Consolidated financial position.

Growth excluding currency effect

The currency effect is determined by applying the previous year's average exchange rates to the current year figures except in hyper-inflationary economies where all figures are converted at the latest closing rate for both periods when the impact is significant.

As a result, for the calculation of organic growth of Benefits & Rewards in Argentina Peso figures for H1 FY 2019 and H1 FY 2018 have been converted at the exchange rate of 1€ = 44.045 ARS vs 44.302 ARS for FY 2018.

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

Net debt is defined as Group borrowing at the balance sheet date, less operating cash.

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 of Benefits & Rewards in Argentina, all Peso figures for H1 FY 2019 and H1 FY 2018 have been converted at the exchange rate of 1€ = 44.045 ARS vs 44.302 ARS for FY 2018.

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 where relevant.

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

The underlying operating profit margin corresponds to Underlying operating profit divided by revenues

Underlying operating profit margin at constant rates

The underlying operating profit margin at constant rates corresponds to Underlying operating profit divided by revenues, calculated by converting H1 2019 figures at FY 2018 rates, except for countries with hyperinflationary economies.

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

(in millions of euro)	NOTES	FIRST-HALF FISCAL 2019	FIRST-HALF FISCAL 2018
REVENUES	6.3	**11,045**	**10,293**
Cost of sales	6.4.6	(9,417)	(8,706)
GROSS PROFIT		**1,628**	**1,587**
Administrative and Sales Department costs	6.4.6	(981)	(964)
Share of profit of companies consolidated by the equity method that directly contribute to the Group's business		-	5
UNDERLYING OPERATING PROFIT		**647**	**627**
Other operating income	6.4.7	3	7
Other operating expenses	6.4.7	(72)	(80)
Operating profit	**6.3**	**578**	**554**
Financial income	6.4.8	19	27
Financial expense	6.4.8	(73)	(71)
Share of profit of other companies consolidated by the equity method		2	1
PROFIT FOR THE PERIOD BEFORE TAX		**526**	**511**
Income tax expense	6.2.3 and 6.4.9	(151)	(131)
PROFIT FOR THE PERIOD		**375**	**380**
Of which:			
Attributable to non-controlling interests		11	7
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**364**	**372**
BASIC EARNINGS PER SHARE *(in euro)*	6.4.10	**2.50**	**2.51**
DILUTED EARNINGS PER SHARE *(in euro)*	6.4.10	**2.46**	**2.47**

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of euro)	FIRST-HALF FISCAL 2019	FIRST-HALF FISCAL 2018
PROFIT FOR THE PERIOD	**375**	**380**
Components of other comprehensive income that may be reclassified subsequently to profit or loss		
Financial assets reassessed at fair value through OCI	126	2
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	210	(119)
Currency translation adjustment reclassified to profit or loss		
Tax on components of other comprehensive income that may be reclassified subsequently to profit or loss		
Share of other components of comprehensive income (loss) of companies consolidated by the equity method, net of tax	1	(1)
Components of other comprehensive income that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plan obligation	(2)	
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	(17)	
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), AFTER TAX	**318**	**(118)**
COMPREHENSIVE INCOME	**693**	**262**
Of which:		
Attributable to equity holders of the parent	681	256
Attributable to non-controlling interests	12	7

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

(in millions of euro)	NOTES	FEBRUARY 28, 2019	AUGUST 31, 2018
NON-CURRENT ASSETS			
Property, plant and equipment		687	619
Goodwill	6.4.2	6,049	5,664
Other intangible assets		698	704
Client investments		589	558
Companies consolidated by the equity method		87	83
Financial assets		893	190
Derivative financial instrument assets	6.4.4	2	3
Other non-current assets		19	18
Deferred tax assets		124	105
Total non-current assets		**9,147**	**7,944**
CURRENT ASSETS			
Financial assets		38	36
Derivative financial instrument assets	6.4.4	10	15
Inventories		290	280
Income tax receivable		168	176
Trade and other receivables		5,074	4,121
Restricted cash and financial assets related to the Benefits and Rewards Services activity		1,035	1,042
Cash and cash equivalents	6.4.3	1,950	1,666
Total current assets		**8,567**	**7,336**
TOTAL ASSETS		**17,714**	**15,280**

Shareholders’ equity and liabilities

(in millions of euro)	NOTES	FEBRUARY 28, 2019	AUGUST 31, 2018
SHAREHOLDERS' EQUITY			
Share capital		590	590
Additional paid-in capital		248	248
Reserves and retained earnings		3,161	2,445
Equity attributable to equity holders of the parent		**3,999**	**3,283**
Non-controlling interests		**46**	**45**
Total shareholders’ equity	6.4.1	**4,044**	**3,328**
NON-CURRENT LIABILITIES			
Borrowings	6.4.4	3,574	3,537
Derivative financial instrument liabilities	6.4.4	3	-
Employee benefits		403	389
Other non-current liabilities		169	190
Provisions		91	88
Deferred tax liabilities		376	126
Total non-current liabilities		**4,615**	**4,330**
CURRENT LIABILITIES			
Bank overdrafts		72	28
Borrowings	6.4.4	1,187	420
Derivative financial instrument liabilities	6.4.4	2	1
Income tax payable		92	98
Provisions		67	73
Trade and other payables		4,527	4,222
Vouchers payable		3,109	2,780
Total current liabilities		**9,055**	**7,622**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**17,714**	**15,280**

4. CONSOLIDATED CASH FLOW STATEMENT

(in millions of euro)	NOTES	FIRST-HALF FISCAL 2019	FIRST-HALF FISCAL 2018
Operating activities			
OPERATING PROFIT OF CONSOLIDATED COMPANIES		**578**	**549**
Depreciation, amortization and impairment of intangible assets and property, plant and equipment		186	156
Provisions		(23)	(15)
Net disposal (gains) losses and other non-cash items		8	12
Dividends received from companies consolidated by the equity method		2	17
Interest paid		(57)	(54)
Interest received		18	31
Income tax paid		(64)	(46)
OPERATING CASH FLOW		**648**	**650**
Change in inventories		1	(5)
Change in trade and other receivables		(828)	(664)
Change in trade and other payables		158	34
Change in vouchers payable		240	233
Change in financial assets related to the Benefits and Rewards Services activity		55	(73)
CHANGE IN WORKING CAPITAL FROM OPERATING ACTIVITIES		**(373)**	**(475)**
NET CASH PROVIDED BY OPERATING ACTIVITIES		**275**	**175**
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		(203)	(148)
Disposals of property, plant and equipment and intangible assets		9	14
Change in client investments		(11)	13
Change in financial assets		(10)	(25)
Acquisitions of subsidiaries	6.4.2	(236)	(676)
Disposals of subsidiaries		2	2
NET CASH USED IN INVESTING ACTIVITIES		**(450)**	**(820)**
Financing activities			
Dividends paid to parent company shareholders	6.4.1	(403)	(411)
Dividends paid to non-controlling shareholders of consolidated companies		(12)	(6)
Purchases of treasury shares	6.4.1	0	(66)
Sales of treasury shares	6.4.1	12	17
Acquisition of non-controlling interests		(1)	(4)
Proceeds from borrowings	6.4.4	761	596
Repayment of borrowings	6.4.4	(14)	(3)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**343**	**124**
CHANGE IN NET CASH AND CASH EQUIVALENTS		**169**	**(521)**
Net effect of exchange rates and other effects on cash		72	(21)
Net cash and cash equivalents, beginning of period		1,638	1,980
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**6.4.3**	**1,879**	**1,438**

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5. 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	Non-controlling interests	Total
Notes					**6.4.1**				
Shareholders' equity as of August 31, 2018	**147,454,887**	**590**	**248**	**(420)**	**3,795**	**(930)**	**3,283**	**45**	**3,328**
Restatement due to IFRS 9 & IFRS 15 first application [(1)]					**403**		**403**		**403**
Shareholders' equity as of September 1, 2018	**147,454,887**	**590**	**248**	**(420)**	**4,198**	**(930)**	**3,686**	**45**	**3,731**
Profit for the period					364		364	11	375
Other comprehensive income (loss), net of tax [(1)]					108	209	317	1	318
Comprehensive income					**472**	**209**	**681**	**12**	**693**
Dividends paid					(403)		(403)	(12)	(415)
Treasury share transactions				11			11		11
Share-based payment (net of income tax)					22		22		22
Other [(2)]					1		1	1	2
Shareholders' equity as of February 28, 2019	**147,454,887**	**590**	**248**	**(409)**	**4,290**	**(721)**	**3,999**	**46**	**4,044**

(1) See note 6.2.2
(2) Including the effects of hyperinflation, recognition of commitments to repurchase non-controlling interests.

(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	Non-controlling interests	Total
Notes					**6.4.1**				
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					372		372	7	380
Other comprehensive income (loss), net of tax					1	(118)	(117)	(1)	(118)
Comprehensive income					**373**	**(118)**	**256**	**7**	**262**
Dividends paid					(411)		(411)	(9)	(419)
Treasury share transactions				(49)			(49)		(49)
Share-based payment (net of income tax)					16		16		16
Other [(1)]					(6)		(6)	3	(3)
Shareholders' equity as of February 28, 2018	**150,830,449**	**603**	**534**	**(420)**	**3,428**	**(803)**	**3,343**	**34**	**3,377**

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

The following notes are an integral part of the condensed interim consolidated financial statements.

6. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Sodexo is a *société anonyme* (a form of limited liability company) headquartered in Issy-les-Moulineaux, France

The condensed interim consolidated financial statements for the six-month period from September 1, 2018 to February 28, 2019 were approved by the Board of Directors on April 9, 2019.

Significant events

During the First Half of the 2018-2019 financial year, the Group significantly strengthened its Personal and Home Services offering with the acquisition of *Crèches de France*. Sodexo also acquired *Novae Restauration* in Switzerland as well as *Alliance in Partnership* in the UK which operates in Education. Strategic initiatives have been launched with the majority stake taken in *Pronep* in Brazil and the acquisition of *International Club of Suppliers* in the US.

Details of these business combinations' impact on the consolidated financial statements at February 28, 2019 are provided in note 6.4.2.

Basis of preparation of the financial statements

6.2.1. General principles

The condensed interim consolidated financial statements for the six months ended February 28, 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting", as published by the IASB and adopted by the European Union. They do not include all of the disclosures required for complete annual financial statements and should be read in conjunction with Sodexo's consolidated financial statements for the year ended August 31, 2018, except for certain interim reporting requirements.

Amounts in tables have been prepared in thousands of euro and are expressed and rounded to the nearest million (unless otherwise indicated).

6.2.2. Standards and interpretations

The accounting policies applied by the Group in the condensed interim consolidated financial statements for the six months ended February 28, 2019 are the same as those used in the annual consolidated financial statements for the fiscal year ended August 31, 2018, except for the first-time application of IFRS 9 and IFRS 15 as described below.

The Group has not applied any IFRSs that had not yet been approved by the European Union as of February 28, 2019.

The Group has not elected to early adopt any standards or interpretations whose application is not mandatory in Fiscal 2019.

During the First Half of Fiscal 2019, the Group continued its work on collecting data relating to the leases in place in its various business segments and regions.

First-time application of IFRS 9 - Financial instruments

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IFRS 9 specifies the principles of recognition and financial reporting for financial instruments. These principles have been applied by the Group from September 1, 2018 in place of those set forth in IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 introduces:

- a new classification of financial instruments, and the resulting measurement rules, based on the management model and the contractual specifications of the financial instruments (Tier 1),
- a new model for impairment of financial assets, based on expected credit losses, replacing the model previously based on incurred credit losses (Tier 2), and
- new principles on hedge accounting (Tier 3).

The nature and impacts of the main changes in accounting policies arising from the application of IFRS 9 are summarized in the following paragraphs.

Tier 1: Classification and measurement of financial assets and liabilities

The standard presents a new model for the classification and measurement of financial assets, based on the contractual characteristics of cash flows and on the economic model for managing these assets. The four categories prescribed by IAS 39 for the classification of financial assets have been replaced by the following three categories:

- financial assets measured at amortized cost;
- financial assets measured at fair value through profit or loss;
- financial assets measured at fair value through other comprehensive income.

The main impact for Sodexo relates to the stake held by the Group (19,61%) through its subsidiary SOFINSOD, in the share capital of Bellon SA, Sodexo SA's controlling shareholder. Under IAS 39, the Group previously recognized its interest in Bellon SA at cost (32.4 million euro). The application of IFRS 9 led the Group to measure this investment at fair value in accordance with IFRS 13, and to recognize future changes in fair value in Other Comprehensive Income. The measurement of the fair value of the interest in Bellon SA is presented in Note 6.4.5 Financial Instruments.

Tier 2: Impairment of financial assets

The IAS 39 financial asset impairment model, based on turned out losses, has been replaced by a model based on expected credit losses. The application of this model does not have a significant impact on the Group's financial statements.

Tier 3: Hedge Accounting

The changes to hedge accounting had no impact on the Group financial statements.

The net total impact of these changes as of the first application is 404 million euro (net of tax) and was accounted for in equity on September 1, 2018, with no restatement of the comparative periods presented, in accordance with the option permitted by the transitional provisions of IFRS 9. The following table presents both first-application impacts recorded in equity on September 1, 2018 and impacts for the half year period recognized in OCI:

(in millions of euro)	Impact as of February 28, 2019	OCI variation - H1 2019	Impact as of September 1st, 2018
Bellon SA shares	630	66	564
Other non-consolidated investments	58	58	
Impairment of financial assets	(21)		(21)
Differed tax assets	2		2
Differed tax liabilities	(157)	(16)	(141)
TOTAL	**512**	**108**	**404**

First-time application of IFRS 15

The first application of IFRS 15 has very little impact on the Group Financial statement because of the nature of its activities. Consequently, the Group has decided to apply the cumulative catch-up method allowing to correct any change in revenue recognition through opening equity of FY 19, as at September 1st, 2018. A small negative impact of – 1m€ has been booked in the opening equity of FY 19. The impact of IFRS 15 on the semester is presented in paragraph 6.3.2.

Revenues reported by Sodexo relate to the sale of services relating to the ordinary activities of fully consolidated companies as follows:

- On-site Services: revenues include all revenues stipulated in the contract, considering whether Sodexo acts as principal (most of the cases) or agent. Considering changes in revenue recognition principles introduced by IFRS 15, in particular the agent-principal guidance, we have reassessed some instances where we subcontract part of our facility management services. Some contracts are now booked on a gross basis considering this new guidance. Furthermore, in certain cases and mainly upon client requirements, the Group pays fees or rent for the use of space or equipment made available to us on sites that enable us to deliver our services. In accordance with IFRS 15 principles, we have considered that such expenses should be recognized as a deduction from the corresponding revenues.
- Benefits and Rewards Services: revenues include mainly commissions received from clients and affiliates, financial income from the investment of liquidities generated by the activity, and profits from vouchers and cards not reimbursed. The implementation of IFRS 15 has no significant impact on revenue recognition for Benefits and Rewards Services.

Revenues are measured at the fair value of the consideration received or to be received, net of discounts and rebates as well as Value Added Tax (VAT) and other taxes. Revenues are recognized when it is probable that future economic benefits will flow to Sodexo and these benefits can be measured reliably. No income is recognized if there is significant uncertainty about recoverability of the costs incurred or to be incurred in meeting the service obligation.

Foodservices and other On-site Services revenues are recognized when the service is rendered, i.e. when the performance obligation is satisfied under IFRS 15.

Commissions received from clients in the Benefits and Rewards Services activity are recognized when the vouchers are issued and sent to the client or the cards are credited. Commissions received from affiliates are recognized when the vouchers are reimbursed or the cards are used. Profits from unreimbursed vouchers and cards are recognized based on their expiration date and the deadline for presentation for reimbursement by the affiliate.

6.2.3. Specific interim reporting requirements

Income tax expense

Income tax expense (current and deferred) in the condensed interim consolidated financial statements is computed by applying an estimated average annual tax rate for the current fiscal year to each tax reporting entity's pre-tax profit for the First Half of the year as adjusted, where applicable, for the tax effect of any specific events that may have occurred during the period. The resulting deferred tax charge or benefit is recognized in deferred tax assets or deferred tax liabilities in the consolidated statement of financial position.

Post-employment and other long-term employee benefits

The expense for post-employment and other long-term employee benefits is computed as one half of the annual charge estimated as of August 31, 2018. There were no material plan amendments in the First Half of Fiscal 2019.

6.2.4. Income statement presentation

As a reminder, to better focus the Group’s financial communication on recurring operating profit and to simplify benchmarking with competitors, the consolidated income statement has changed as from Fiscal 2018 to include a new indicator, “Underlying operating profit”, which corresponds to operating profit before “Other operating income” and “Other operating expenses”.

Other operating income and expenses include gains and losses arising from changes in the scope of consolidation, gains and losses arising from changes in post-employment benefit obligations, restructuring and rationalization costs, M&A costs, amortization and impairment of client relationships and trademarks, impairment of non-current assets and other unusual or non-recurring items representing material amounts.

Underlying operating profit has replaced operating profit in the segment information, as it is now the main indicator reviewed regularly by the Executive Committee, which is the Group’s main operating decision-maker.

6.2.5. Use of estimates

The preparation of the condensed interim consolidated financial statements requires the management of Sodexo and its subsidiaries to make estimates and assumptions that may affect the amounts reported for assets, liabilities and contingent liabilities as of the date of preparation of the financial statements, and of revenues and expenses for the period.

These estimates and valuations are updated continuously based on past experience and on various other factors considered reasonable in view of current circumstances, and are the basis for the assessments of the carrying amount of assets and liabilities.

Actual results may differ substantially from these estimates if assumptions or circumstances change.

Significant items subject to such estimates and assumptions are the same as those described in the consolidated financial statements for the year ended August 31, 2018 (provisions and litigation, derivative financial instruments, post-employment defined benefit plan assets and liabilities, goodwill and other intangible assets, impairment of current and non-current assets, deferred taxes, and share-based payments).

6.2.6. Changes in principal currency exchange rates

The following table presents changes in exchange rates for the main currencies used to convert the financial statements of subsidiaries compared with the First Half of the prior fiscal year.

Currency	CLOSING RATE AS OF FEBRUARY 28, 2019	AVERAGE RATE FOR FIRST-HALF FISCAL 2019	CLOSING RATE AS OF AUGUST 31, 2018	CLOSING RATE AS OF FEBRUARY 28, 2018	AVERAGE RATE FOR FIRST-HALF FISCAL 2018
U.S. DOLLAR (USD)	1.142	1.145	1.165	1.221	1.195
POUND STERLING (GBP)	0.858	0.887	0.897	0.884	0.885
BRAZILIAN REAL (BRL)	4.269	4.398	4.859	3.961	3.864

Segment information

The segment information presented below has been prepared based on internal management data as monitored by the Group Executive Committee, which is Sodexo's chief operating decision maker. The Group's two business segments correspond to On-site Services and Benefits and Rewards Services.

On-site Services revenue and underlying operating profit are broken down by global client segment. These global client segments meet the definition of operating segments under IFRS 8.

Consequently, Sodexo's operating segments and groups of operating segments are as follows:

- On-site Services:
  - Business & Administrations, which includes Corporate Services, Energy & Resources, Government & Agencies, Sports & Leisure and other non-segmented activities,
  - Health Care, combined with Seniors,
  - Education, comprising Schools and Universities;
- Benefits and Rewards Services.

The operating segments that have been aggregated carry out similar operations – both in terms of type of services rendered and the processes and methods used to deliver the services – and have similar economic characteristics (notably in terms of the margins they generate).

Segment assets and liabilities are not presented as they are not included in the chief operating decision maker's measurement of segment performance.

Since the beginning of the 2018-2019 fiscal year, some contracts have been reallocated between segments. The most important change concerns some European countries where, after several years of restructuring, the activity is now segmented. Thus, the activities operated in Hospitals and Seniors were transferred from the Business & Administration segment (where all non-segmented activities are reported) to the Health & Seniors segment.

6.3.1 By business segment

FIRST-HALF FISCAL 2019 *(in millions of euro)*	ON-SITE SERVICES	BUSINESS & ADMINISTRATIONS	HEALTH CARE & SENIORS	EDUCATION	BENEFITS AND REWARDS SERVICES	ELIMINATIONS AND CORPORATE EXPENSES	CONSOLIDATED TOTAL
Revenues	10,617	5,645	2,552	2,420	428		11,045
Inter-segment sales (Group)					2	(2)	-
TOTAL	**10,617**	**5,645**	**2,552**	**2,420**	**430**	**(2)**	**11,045**
Underlying operating profit (1)	581	205	162	215	125	(60)	647

(1) Including Group's share of profit of companies consolidated by the equity method that directly contribute to the Group's business, and excluding other operating income and expenses.

FIRST-HALF FISCAL 2018 *(in millions of euro)*	ON-SITE SERVICES	BUSINESS & ADMINISTRATIONS	HEALTH CARE & SENIORS	EDUCATION	BENEFITS AND REWARDS SERVICES	ELIMINATIONS AND CORPORATE EXPENSES	CONSOLIDATED TOTAL
Revenues	9,882	5,295	2,359	2,228	411		10,293
Inter-segment sales (Group)					2	(2)	
TOTAL	**9,882**	**5,295**	**2,359**	**2,228**	**413**	**(2)**	**10,293**
Underlying operating profit (1)	562	207	145	211	124	(59)	627

(1) Including Group's share of profit of companies consolidated by the equity method that directly contribute to the Group's business, and excluding other operating income and expenses.

6.3.2 By significant country

The Group's operations are spread across 72 countries, including two that each represent over 10% of consolidated revenues: France (the Group's home country) and the United States. Revenues in these countries are as follows:

FIRST-HALF FISCAL 2019 *(in millions of euro)*	FRANCE	UNITED-STATES	OTHER	CONSOLIDATED TOTAL
Revenues (third-party)	**1,465**	**4,686**	**4,894**	**11,045**
Out of which IFRS 15 impact	-	(18)	13	(5)

FIRST-HALF FISCAL 2018 *(in millions of euro)*	FRANCE	UNITED-STATES	OTHER	CONSOLIDATED TOTAL
Revenues (third-party)	**1,391**	**4 208**	**4,694**	**10,293**

Notes to the interim consolidated financial statements

6.4.1. Consolidated statement of changes in shareholders' equity

As of February 28, 2019, the Group held 1,731,012 Sodexo shares with a carrying amount of 167 million euro, including (i) 1,636,012 shares (158 million euro) purchased to cover the Group's obligations for free share plans for Group employees, and (ii) 95,000 shares (9 million euro) held under the liquidity contract.

As of August 31, 2018, the Group held 1,869,352 Sodexo shares with a carrying amount of 177 million euro to cover its obligations under stock option and free share plans for Group employees. During the First Half of Fiscal 2019, Sodexo shares with a carrying amount of 3 million euro were delivered to employees upon exercise of stock options or under free share plans. During the First Half of Fiscal 2018, Sodexo shares with a carrying amount of 17 million euro were delivered to employees upon exercise of stock options.

Total dividends paid out in the First Half of Fiscal 2019, adjusted for treasury shares, amounted to 403 million euro, representing a dividend of 2.75 euro per share and, where applicable, a dividend premium of 0.275 euro per share.

6.4.2. Business combinations

Changes in goodwill were as follows in the First Half of Fiscal 2019:

(in millions of euro)	AUGUST 31, 2018	INCREASES	DECREASES	CURRENCY TRANSLATION ADJUSTMENT	RECLASSIFICATIONS	FEBRUARY 28, 2019
Corporate Services	1,001			27	41	1,069
Government & Agencies	359			11		370
Sports & Leisure	415	8		7		430
Energy & Resources	320			11		330
Other non-segmented activities	**325**	148		10	(57)	425
Business & Administrations	**2,420**	**155**		**66**	**(16)**	**2,625**
Health Care	998			22	4	1,025
Seniors	424	33		9	13	477
Health Care & Seniors	**1,422**	**33**		**31**	**17**	**1,502**
Schools	352	45		8	(4)	401
Universities	855			18		873
Education	**1,207**	**45**		**26**		**1,274**
ON-SITE SERVICES	**5,049**	**234**		**123**	**(3)**	**5,401**
BENEFITS AND REWARDS SERVICES	**615**			**33**		**648**
TOTAL	**5,664**	**234**		**156**		**6,049**

During the First Half of Fiscal 2019, goodwill totaling 234 million euro was recognized on the acquisition of *Novae Restauration*, *Alliance in Partnership* in Schools, *Pronep* in Seniors, *Crèches de France, International Club of Suppliers* as well as the adjustment on Sports & Leisure related to prior year's acquisition of *Centerplate Inc*.

In the meantime, some contracts have been reallocated between segments since the beginning of the fiscal year 2018-2019. The most important change concerns some European countries where, after several years of restructuring, the activity is now segmented. Goodwill previously disclosed among non-segmented activities has been revised accordingly. The activities operated in Hospitals and Seniors have been therefore transferred from the Business & Administration segment (where all non-segmented activities were reported until then) to the Health & Seniors segment.

The table below shows the impact of newly consolidated entities. It includes the values of the assets acquired and liabilities assumed, as provisionally estimated at February 28, 2019, and the adjustments resulting from the final purchase price allocation of prior acquisitions.

(in millions of euro)	**FEBRUARY 28, 2019**
Intangible assets	-
Property, plant and equipment	41
Other non-current assets	2
Current assets	35
Cash and cash equivalents	(18)
Borrowings	(10)
Other non-current liabilities	(35)
Net deferred tax	2
Other current liabilities	(35)
TOTAL IDENTIFIABLE NET ASSETS	**(17)**
Goodwill	234
Non-controlling interests	-
CONSIDERATION TRANSFERRED	**218**
Cash acquired	19
Change in liabilities related to acquisitions of subsidiaries	-
IMPACT ON THE CASH FLOW STATEMENT	**(236)**

Companies acquired during the First-Half of Fiscal 2019, that were consolidated from the date of acquisition, contributed by 82 million euro to the consolidated revenue and by 4 million euro to the consolidated underlying operating profit of the period.

Intangible assets mainly include customer relationships and trademarks. The amortization period for customer relationships has been provisionally set by management at a maximum of 15 years, based on the estimated attrition rate. Goodwill primarily reflects the expertise and know-how of the acquired businesses' employees and the expected synergies between these companies and Sodexo.

6.4.3. Cash and cash equivalents

(in millions of euro)	FEBRUARY 28, 2019	AUGUST 31, 2018
Marketable securities	425	365
Cash [(1)]	1,525	1,301
Total cash and cash equivalents	**1,950**	**1,666**
Bank overdrafts	(72)	(28)
TOTAL [(2)]	**1,879**	**1,638**

(1) Including 16 million euro allocated to the liquidity contract signed with an investment services provider, which complies with the Code of Conduct drawn up by the French financial markets association (*Association française des marchés financiers* – AMAFI) and approved by the French securities regulator (*Autorité des Marchés Financiers* – AMF), to improve the liquidity of Sodexo shares and the regularity of the quotations.

(2) The Group's international cash pool has negative cash positions in U.S. dollars for the equivalent of 496 million euro, in Sterling Pounds for the equivalent of 169 million euro and in other currencies for the equivalent of 36 million euro, partly offset by a positive cash position in euro of 702 million euro.

Total marketable securities comprised:

(in millions of euro)	FEBRUARY 28, 2019	AUGUST 31, 2018
Short-term notes	313	199
Term deposits	91	138
Mutual funds and other	21	29
MARKETABLE SECURITIES	**425**	**365**

6.4.4. Borrowings

(in millions of euro)	FEBRUARY 28, 2019		AUGUST 31, 2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Bond issues	**20**	**2,178**	**15**	**2,176**
Euro	20	2,178	15	2,176
Bank borrowings [(1)]	**1,159**	**1,371**	**392**	**1,335**
US dollar	155	1,362	152	1,334
Euro	1,003	9	240	1
Finance lease obligations	**3**	**4**	**4**	**5**
Euro	3	3	3	4
Other currencies		1	1	1
Other borrowings [(2)]	**6**	**20**	**9**	**21**
Euro	1	8		8
Other currencies	5	12	9	13
TOTAL EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**1,187**	**3,574**	**420**	**3,537**
Net fair value of derivative financial instruments	(9)	1	(14)	(3)
TOTAL INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**1,178**	**3,575**	**406**	**3,534**

[(1)] Including the proceeds of (i) three U.S. private placements (207 million U.S. dollars, 400 million U.S. dollars and 1,100 million U.S. dollars respectively as of February 28, 2019) and (ii) commercial paper issues (1,000 million euro as of February 28, 2019). The U.S. private placements are subject to financial covenants that the Group complied with as of February 28, 2019, August 31, 2018 and February 28, 2018.

[(2)] Including 15 million euro as of February 28, 2019 corresponding to liabilities recognized relating to commitments to repurchase the non-controlling interests in certain subsidiaries (18 million euro as of August 31, 2018).

Changes in borrowings during the First Half of Fiscal 2019 were as follows:

(in millions of euro)	AUGUST 31, 2018	NEW BORROWINGS	REPAYMENTS	DISCOUNTING EFFECTS AND OTHER	CURRENCY TRANSLATION ADJUSTMENT	CHANGES IN SCOPE OF CONSOLIDATION	AS OF FEBRUARY, 28, 2019
Bond issues	2,191			7			2 198
Bank borrowings	1,727	761	(3)		31	14	2 530
Finance lease obligations	9		(2)				7
Other borrowings	30		(11)	(4)	1	10	26
TOTAL EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**3,957**	**761**	**(16)**	**3**	**32**	**24**	**4 761**
Net fair value of derivative financial instruments	(17)		2		7		(8)
TOTAL INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS [(1)]	**3,940**	**761**	**(14)**	**3**	**39**	**24**	**4 753**

[(1)] As of February 28, 2019, the fair values of bond issues and bank borrowings were 2,279 million euro and 2,507 million euro respectively (2,266 million euro and 1,715 million euro respectively as of August 31, 2018).

As of February 28, 2019, approximately 42% of the Group's borrowings were denominated in U.S. dollars, after considering the effect of derivative financial instruments and the cash pooling system. As of February 28, 2019, approximately 79% of the Group's borrowings were at fixed rates of interest and the blended cost of debt at that date was 2.3%.

As of August 31, 2018, nearly 94% of the Group's borrowings were at fixed rates of interest and the blended cost of debt at that date was 2.5%.

July 2011 multi-currency confirmed credit facility

As of February 28, 2019, the Group has a multi-currency confirmed credit facility for 531 million euro plus 709 million U.S. dollars, expiring in July 2022.

No amount has been drawn down on this facility neither on August 31, 2018 nor on February 28, 2019.

Bilateral confirmed credit facility

On December 20, 2017, the Group obtained two 150-million-euro bilateral confirmed credit facility, one expiring in December 2018 and the other in December 2019.

On March 5, 2018, the Group obtained a third 150-million-euro bilateral confirmed credit facility expiring in March 2019.

The facilities originally due to expire in December 2018 and March 2019 have been extended to December 2019 and March 2020 respectively.

No amounts had been drawn down on any of these facilities neither on August 31, 2018 nor on February 28, 2019.

Commercial paper issues

On January 22, 2018, Sodexo Finance set up a commercial paper program representing a maximum of 1.4 billion euro, guaranteed by Sodexo S.A., in addition to Sodexo S.A.'s existing program.

As of February 28, 2019, borrowings under the Sodexo SA and Sodexo Finance commercial paper programs totaled 1 billion euro compared to 240 million euro as of August 31, 2018 and explains the increase of 761 million euro of bank borrowings.

6.4.5. Financial instruments

Fair Value Level 3: Measurement of Bellon SA Securities

The Group holds, through its wholly-owned subsidiary SOFINSOD, a 19.61% stake in Bellon SA, the controlling shareholder of Sodexo SA with 42.2% of its shares and 57.07% of its voting rights, exercisable on February 28, 2019. This shareholding does not give the Group considerable influence over Bellon SA, as voting rights attached to Bellon SA shares that it holds cannot be exercised by SOFINSOD, in accordance with the provisions of Article L. 233-31 of the French Commercial Code (Code de Commerce).

Due to the application IFRS 9, the Group has assessed for the first time this investment at its fair value, determined in accordance with IFRS 13, and opted to account for subsequent changes in fair value in other non-recyclable items of consolidated comprehensive income (OCI).

Management conducted a fair value assessment of the equity interest for the first application of IFRS 9, with the support of two independent experts. The determination of the fair value of the investment depends, among other things, on the revalued net asset value (NAV) of Bellon SA which has limited debt and holds no assets other than shares of Sodexo SA. These shares were valued at their closing share price for the calculation of the NAV of Bellon SA.

The Articles of Incorporation of Bellon SA include a clause which restricts the sale of Bellon SA shares to non-shareholder third parties, subject to the prior approval of its Supervisory Board. Bellon SA is controlled 72.6% by Mr. and Mrs. Pierre Bellon, and their four children, who, in June 2015, signed a 50-year agreement preventing the direct descendants of Mr. and Mrs. Bellon from freely disposing of their Bellon SA shares. The sole asset of Bellon SA is its interest in Sodexo and it can be deduced from the foregoing that Bellon SA does not intend to sell this interest to third parties.

As a result of these specific characteristics, the interest that SOFINSOD holds in Bellon SA has very limited liquidity. The valuation method used by Management (Level 3 of the hierarchy defined by IFRS 13) incorporates this illiquidity on the one hand, as well as all of the characteristics of the holding's ownership structure, on the other hand. This method results in a discount to the net asset value on Bellon SA estimated at 40% as of September 1, 2018 and February 28, 2019.

As of September 1, 2018, the fair value of the investment was evaluated at 596 million euro, leading the Group to recognize a gross impact of 564 million euro million euro with a net of tax impact of 423 million euro as of September 1, 2018 recognized in the opening balance sheet.

As of February 28, 2019, the fair value of the investment is evaluated at 662 million euro, and its change since the opening of the half-year has been recognized in other non-recyclable items of comprehensive income.

6.4.6. Operating expenses by nature

(in millions of euro)	FIRST-HALF FISCAL 2019	FIRST-HALF FISCAL 2018
Depreciation, amortization and impairment losses	(190)	(160)
Employee costs		
- Wages and salaries	(4,095)	(3,829)
- Other employee costs [(1)]	(1,203)	(1,125)
Purchases of consumables and change in inventory	(2,954)	(2,803)
Other operating expenses [(2)]	(2,025)	(1,826)
TOTAL	**(10,467)**	**(9,743)**

[(1)] Primarily payroll taxes, but also including costs associated with defined benefit plans, defined contribution plans and free share plans.

[(2)] Other operating expenses mainly include operating lease expenses (169 million euro for the First Half of Fiscal 2019 and 191 million euro for the First Half of Fiscal 2018), professional fees, other purchases used for operations, sub-contracting costs and travel expenses.

6.4.7. Other operating income and expenses

(in millions of euro)	FIRST-HALF FISCAL 2019	FIRST-HALF FISCAL 2018
Gains arising from changes in scope of consolidation	3	
Gains arising from changes in post-employment benefit obligations		
Other		7
TOTAL OTHER OPERATING INCOME	**3**	**7**
Restructuring and rationalization costs	(19)	(7)
M&A costs	(4)	(14)
Losses arising from changes in scope of consolidation		(18)
Losses arising from changes in post-employment benefit obligations	(3)	
Amortization and impairment of client relationships and trademarks	(43)	(31)
Other	(2)	(11)
TOTAL OTHER OPERATING EXPENSES	**(72)**	**(80)**

6.4.8. Financial income and expense

(in millions of euro)	FIRST-HALF FISCAL 2019	FIRST-HALF FISCAL 2018
Gross borrowing cost [1]	(59)	(54)
Interest income from short-term bank deposits and equivalent	14	16
NET BORROWING COST	**(45)**	**(38)**
Interest income from loans and receivables at amortized cost	1	1
Other financial income	4	10
Other financial expense	(6)	(5)
Net foreign exchange gains/(losses)	(1)	(4)
Net interest cost on net defined benefit plan obligation	(3)	(4)
Monetary adjustment for hyperinflation		
Change in fair value of derivative financial instruments not qualified for hedge accounting		
Other	(4)	(4)
NET FINANCIAL EXPENSE	**(54)**	**(44)**
Out of which financial income	**19**	**27**
Out of which financial expense	**(73)**	**(71)**

[1] Gross borrowing cost represents interest expense on financial liabilities at amortized cost and interest expense on hedging instruments

6.4.9. Income tax expense

The 25.9% effective tax rate for the First Half of Fiscal 2018 increased to 28.8% in the First Half of Fiscal 2019. This increase is mainly attributable to the reimbursement of the tax on dividends in France, for 43 million euro in the First Half of Fiscal 2018.

6.4.10. Earnings per share

The table below presents the calculation of basic and diluted earnings per share:

	FIRST-HALF FISCAL 2019	FIRST-HALF FISCAL 2018
Profit for the period attributable to equity holders of the parent (in millions of euro)	**364**	**372**
Basic weighted average number of shares	145,647,702	148,535,880
BASIC EARNINGS PER SHARE (IN EURO) [1]	**2.50**	**2.51**
Average dilutive effect of stock option and free share plans	2,026,982	2,026,926
Diluted weighted average number of shares	147,674,684	150,562,807
DILUTED EARNINGS PER SHARE (IN EURO) [1]	**2.46**	**2.47**

[1] Basic and diluted earnings per share do not reflect the effect of the dividend premium to be paid on qualifying registered shares.

All Group's free share plans had a dilutive impact in the First Half of both Fiscal 2019 and Fiscal 2018. In the First Half of Fiscal 2019, the last stock option plan shares were delivered, therefore stock option plans had a dilutive impact only on the First Half of Fiscal 2018.

6.4.11. Related party information

Non-consolidated companies

Transactions with non-consolidated companies are similar in nature to those described in note 4.25, "Related parties" to the consolidated financial statements for the fiscal year ended August 31, 2018.

Principal shareholder

As of February 28, 2019, Bellon SA held 42.2% of the capital of Sodexo and 57.07 % of the exercisable voting rights.

During the First Half of Fiscal 2019, Sodexo paid fees of 1.7 million euro (2 million euro for the First Half of Fiscal 2018) under the assistance and advisory services contract with Bellon SA.

Bellon SA received dividends of 171.4 million euro on its Sodexo SA shares in February 2019.

6.4.12. Other disclosures

Free share grants

On September 13, 2018, the Board of Directors decided to grant up to 34,100 shares to certain Group employees. The shares granted under this plan will only vest if the beneficiaries are still working for the Group on the vesting date, and some of the share grants are subject to a performance condition.

Members of the Board of Directors and the Executive Committee, Chief Executive Officer

There were no significant changes from the fiscal year ended August 31, 2018 in relation to the nature of compensation, advances and commitments for pensions or similar benefits granted to members of Sodexo's Board of Directors or Executive Committee, or to the Chief Executive Officer.

Disputes and litigation

- The Company is in dispute with the Brazilian tax authorities regarding the tax deductibility of the amortization of goodwill recognized on the purchase of VR in March 2008. For the record, in Fiscal year 2017, *Sodexo Pass do Brasil* received a tax reassessment notice from the Brazilian tax authorities for fiscal years 2010, 2011 and 2012 relating to the deductibility for tax purposes of the amortization of goodwill recognized on the purchase of VR in March 2008. The reassessment amounted to 102 million euro (breaking down as 30 million euro in principal and 72 million euro in penalties and late payment interest).

  Sodexo Pass do Brasil is firmly disputing this reassessment, which the Brazilian tax authorities originally envisaged during a previous tax audit covering fiscal years 2008 and 2009 but then abandoned. The Company considers that the goodwill amortization was valid, both in terms of its underlying reasons and the way it has been recorded. Therefore, the Company considers that there is a strong probability of winning the dispute with the tax authorities, and this has been confirmed by its tax advisors. Consequently, no provision was recorded for this dispute in the consolidated statement of financial position as of August 31, 2017.

  This dispute was presented on August 14, 2018 for a judgment of the competent administrative court. The court ruled in favor of *Sodexo Pass do Brasil* as it considered that the goodwill and corresponding amortization were legitimately recognized on the acquisition of VR. The judgment therefore confirms that *Sodexo Pass do Brasil* acquired a full business structure when it purchased VR.

  This judgment can be reversed on appeal. The Group believes, however, that the risk of change in this judgement is low.

In addition, the tax savings generated by this tax depreciation were offset in the consolidated accounts of the Group by a deferred tax expense of the same amount for each of the financial periods concerned, in accordance with the IFRS rules. The balance of the related deferred tax liability amounts to 74 million of euro at the end of the financial year.

- On October 9, 2015, *Octoplus* filed a complaint with the French Competition Authority ('Autorité de la concurrence') concerning the practices of several French meal voucher issuers, including Sodexo Pass France SA, together with a request for protective measures. Following the hearing of the parties concerned, by decision of October 6, 2016, the Competition Authority rejected the request for protective measures but ordered further investigation on the merits.

  On February 27, 2019, the *Rapporteur général* sent Sodexo Pass France his final investigation report. The Group and its counsel believe that it can present a compelling defense to the grievances, noting that Sodexo Pass France has until April 29, to file its response. The hearing before the college of the Competition Authority and the decision that will follow should take place before the end of the 2019 calendar year.

  The Competition Authority has broad discretion to determine on a case-by-case basis the financial fines it may impose in accordance with the principles of proportionality and individuality. In view of the difficulty in assessing the extent to which the Competition Authority may take into account the arguments which have been put forward by Sodexo Pass France in its defense and due to the multiple factors contributing, where appropriate, to the determination of a fine, it is not possible at this stage to estimate the amount of the potential fine that might be incurred in the event of an adverse decision, even though it might have a significant impact on the Group's consolidated accounts. In this context, no provision has been made as at February 28, 2019, at this stage of the investigation.

- In Brazil, a difference of interpretation opposes Sodexo and its main competitors to the Tax Administration on the deductibility of PIS / COFIN on certain purchases that are made at a zero rate. Proceedings are pending before the Superior Courts and, based on the opinion of our counsel, the Group considers that its chances of success in these proceedings are good and therefore did not consider necessary at this stage to provision for appropriations deducted to date.

- On January 28, 2019, the International Center for Settlement of Investment Disputes (ICSID) delivered its decision in Sodexo's arbitration claim against the Hungarian State in the Group's favor. Due to changes in the regulatory and fiscal environment in Hungary related to the issuance of food and meal vouchers, Sodexo had filed a claim for ICSID arbitration in July 2014 against the Hungarian state.

  This decision represents an important step in the process of resolving this dispute. The next step consists of making sure that the ICSID arbitration tribunal's decision is implemented. The Hungarian state has up to 120 days from the date of the decision to officially appeal. At this stage, the Hungarian State having publicly declared that it intends to apply for annulment of the decision, the Group has considered it was too early to record an income based on the decision of ICSID.

To the best of the Company's knowledge, there have been no governmental, judicial or arbitral proceedings (including any such proceedings which are pending or threatened of which Sodexo is aware) which may have, or have had in the past 12 months, material effects on Sodexo and/or the Group's financial position or profitability.

Sodexo is also involved in litigation arising from its ordinary activities. The Group does not believe that liabilities relating to such litigation will in aggregate be material to its activities or to its consolidated financial position

6.4.13. Subsequent events

On April 8, 2019, Sodexo announced the acquisition of The Good Care Group, a leading player in the live-in care market in the UK.

With this acquisition, Sodexo is expanding its services in the UK live-in care market and will be ranked second nationally in the live-in care market and among the top five in the private-paid care market.

On March 4, 2019, Sodexo Inc redeemed 150 million U.S. dollars of the 2014 U.S. private placement at maturity.

3

STATUTORY AUDITORS' REPORT

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Statutory Auditors' review report on the interim financial information

For the six months ended February 28, 2019

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SODEXO
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France

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Sodexo for the six months ended February 28, 2019;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 – "Interim Financial Reporting", as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to the note 6.2.2 "*Standards and interpretations*" to the condensed half-year consolidated financial statements regarding the approach on and the consequences of the first-time application as of January 1, 2018 of the standards IFRS 9 "*Financial Instruments*" and IFRS 15 "*Revenue from Contracts with Customers*".

II - Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, April 10, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit *Department of KPMG S.A.*
Jean-Christophe Georghiou	Caroline Bruno-Diaz