# PRESS RELEASE

# Sodexo effectively manages through an unprecedented crisis, confident in its business model for the future

- **Fiscal 2020 Revenue organic growth of -12%, of which +3.2% in H1 and -27.5% in H2**
- **Better than expected Q4 organic growth at -24.9% relative to hypotheses of -27%**
- **H2 Underlying Operating profit flow-through of 21.2%, at constant rates, within expected range**
- **Strong H2 positive Free cashflow despite the crisis**

**Issy-les-Moulineaux, October 29, 2020 -** Sodexo (NYSE Euronext Paris FR 0000121220-OTC: SDXAY). At the Board of Directors meeting held on October 28, 2020 and chaired by Sophie Bellon, the Board closed the Consolidated and Company accounts for the fiscal year ended August 31, 2020.

## Financial performance for Fiscal 2020

| *(in millions of euro)* | AUGUST 31, 2020 | AUGUST 31, 2019 | DIFFERENCE | DIFFERENCE CONSTANT RATES |
|---|---|---|---|---|
| Revenue | **19,321** | 21,954 | *-12.0%* | *-11.2%* |
| **UNDERLYING OPERATING PROFIT** | **569** | **1,200** | *-52.6%* | *-49.6%* |
| **UNDERLYING OPERATING PROFIT MARGIN** | ***2.9%*** | ***5.5%*** | **- 260 bps** | **- 240 bps** |
| Other operating expenses | (503) | (141) | | |
| **OPERATING PROFIT** | **65** | **1,059** | *-93.8%* | *-91.1%* |
| Net financial expense | (291) | (100) | | |
| Tax charge | (98) | (277) | | |
| **GROUP NET PROFIT** | **(315)** | **665** | *-147.3%* | *-144.3%* |
| **EPS** *(in euro)* | **(2.16)** | **4.56** | *-147.3%* | |
| **UNDERLYING NET PROFIT** | **306** | **765** | *-60.1%* | *-57.1%* |
| UNDERLYING EPS *(in euro)* | 2.10 | 5.25 | *-60.1%* | |
| Proposed dividend per share (*in euro*) | 0.00 | 2.90 | | |
| Free cash flow | 72 | 907 | | |
| Net Debt Ratio | 2.1 | 0.8 | | |

**Commenting on the performance of the year, Sodexo CEO Denis Machuel said:**

*"Fiscal 2020 was a tale of two halves. Up to the end of February, we were on track with our Focus on Growth strategic agenda in terms of growth and productivity with enhanced execution on large contracts and increased signing discipline. We were on track to meet our guidance of +4% organic growth in revenues.*

*The Covid-19 crisis interrupted this positive momentum.*

*I am proud of the way the teams reacted, fast and efficiently, to protect our people and consumers, and secure our cash in what has become the most severe downturn the Group has ever experienced. Clients have said that they valued very highly the support that we have given them to operate, reopen or ramp-up their sites in a safe and welcoming environment. Rise with Sodexo, combining all our services in an agile way, backed up by our Medical Advisory Council and Bureau Veritas certification of our protocols, is creating the necessary confidence of our people, our clients and our consumers.*

*We are confident that the resilience of our broad portfolio of services, the investments in marketing and digital, and responsible sourcing, our strong sense of responsibility to our stakeholders and our strong cash positive business model, will ensure that we come out of this crisis in better shape, despite ongoing market disruption."*

# Highlights

- Fiscal 2020 Organic revenue decline was -12%, with On-site Services at -12.1% and Benefits & Rewards Services at -7.8%. While the first half organic growth was +3.2%, the second half was down -27.5%, impacted by the Covid-19 pandemic. Details of the full year organic growth figures by activity and by geography are available in the management report.
- Second half Fiscal 2020 organic revenue growth was in line with the hypotheses published by the Group.
- The organic trend did improve in the fourth quarter, at -24.9%, relative to the -36%, adjusted for the first two weeks of the third quarter before lockdown.
- **Second half On-site Services** organic revenue growth was -27.8%:
  - By segment, Healthcare & Seniors was relatively protected, down only -11.1%, while Education and Business & Administrations were down -47.2% and -29.2% respectively. Within Business & Administrations, Government & Agencies and Energy & Resources combined were up +1.3% while Sports & Leisure and Corporate Services were down -88% and -26% respectively.
  - By geography, while there were significant declines in North America and Europe at -35.9% and -28.4% respectively, the performance in the Asia-Pacific, Latin America, Middle East and Africa region was much more resilient at -5.2%.
- All key indicators were impacted:
  - Client retention rate at the end of the year was solid at 93.5%, up +20 bps, or up +110bps, excluding voluntary exits with, in particular, a +230 bps improvement in North America. Gross profit retention was higher at 95.7%.
  - New sales development was down -140 bps at 4.9%, as new projects were delayed, but margin discipline was maintained with a 50 bps improvement in signed contracts.
  - Same site sales decline was -11.9% reflecting the significant volume falls in many segments, particularly in Sports & Leisure, Education and Corporate Services, while Healthcare & Seniors, Government & Agencies and Energy & Resources remained much more resilient. Only the Energy & Resources segment and the Asia-Pacific region achieved same site sales growth in the second half.

- **Second half Benefits & Rewards Services** organic revenue growth was -18.8%, with an improving trend in Q4 at -15.1% relative to the -22.8% posted in Q3. This reflected a catch-up in activity following the end of lockdown in Europe, as restaurants re-opened and, to a lesser extent, the distribution of paper vouchers resumed. However, the trend deteriorated in Latin America as the pandemic spread across the region, particularly in Brazil, with competitive pressures increasing and interest rates continuing to fall.
- The **underlying operating profit margin** for the year was 2.9%. While the 1st half underlying operating margin was stable year on year at 5.9%, the 2nd half underlying operating profit margin fell to -1.5%, reflecting a flow-through of the revenue reduction of 20.4%. Excluding the currency impact, the flow-through was 21.2%, close to the most optimistic hypothesis published in July, and the second half margin was -0.9%.
- **Other operating income and expenses** amounted to -503 million euro, compared to -141 million euro in the previous year. Restructuring costs increased significantly to 191 million euro in Fiscal 2020 from 46 million euro in Fiscal 2019. This exceptional amount reflects proactive measures to protect margins as government support schemes come to an end, to anticipate the structural reduction in the post-Covid revenues and to be more agile as volumes ramp back up again. Impairment of certain brands and assets impacted by the substantial decline in volumes, mostly in Sports & Leisure and Education, was 249 million euro.
- **Net financial expenses** for the year rose to 291 million euro from 100 million euro last year, due principally to the 150 million euro make-whole payment for the USPP reimbursement and the IFRS 16 adjustments of 25 million euro. As a result of this reimbursement, the Group's blended cost of debt at year end is 1.6% against 2.6% in August 2019.
- The **tax charge** amounted to 98 million euro compared to a pre-tax loss of 230 million euro. The Group has not recognized deferred tax assets for Fiscal 2020 of 122 million euro, mainly related to tax losses in France where the Group restricted the recognition of deferred tax assets to the amount of the deferred tax liabilities. Excluding exceptional elements, the underlying effective tax rate would have been 30.8% against 29.0% in the previous year.
- **Reported net loss** was 315 million euro, against a net profit of 665 million euro in the previous year. Basic EPS was -2.16€ compared to 4.56€ last year.
- Corrected for Other operating income and expenses including the higher restructuring costs and impairment, the make-whole on the USPP reimbursement in financial expenses and the exceptional non-recognition of tax losses, **Underlying Net profit** totaled 306 million euro down -60.1% compared to 765 million euro in the previous year. Underlying EPS was 2.10€, down from 5.25€.
- To protect the balance sheet given the severity of the Covid-19 downturn in activity, and the uncertainty as to the timing of recovery, and in solidarity with the teams, **the Board has decided not to propose a dividend for Fiscal 2020** even if the Underlying net profit was positive.
- **Free cash flow** for the year reached 72 million euro, with positive cash inflow of 315 million euro in the second half, or 465 million euro excluding the make-whole payment, compensating the traditional first half outflow. This performance is the result of proactive cash management and Government support programs, partially offsetting the impact of the make-whole payment. In order to protect our cash positions, capex projects were either cut or pushed back, thereby reducing second half capex by 53% compared to the first half. As a result, annual capex amounted to 393 million euro, or 2% of revenues, against 415 million euro, or 1.9% of revenues, in Fiscal 2019.
- Consolidated **net debt** at the end of Fiscal 2020 was 1,868 million euro, down 206 million euro compared to the level at the end of the first half, but up 655 million euro compared to August 31, 2019. Given the decline in EBITDA, the Group's net debt ratio was 2.1x, against 1.3x at the end of the first half Fiscal 2020 and 0.8x at the end of Fiscal 2019.
- In line with its roadmap **Better Tomorrow 2025**, Sodexo works to strengthen its commitment and performance to corporate responsibility. Sodexo is thus the **first global foodservices company to**

**connect its financing to action to prevent food waste**. With a renewed partnership with WWF, Sodexo continues to work toward its sector-leading 34% Sciences-based carbon emissions reduction target by 2025 (compared to a 2017 baseline) by committing to eliminate deforestation from its supply chain by 2030. Sodexo continues to be recognized within the financial community, with the **highest marks in SAM's "Sustainability Yearbook"** for the 13th consecutive year, as well as **gold class recognition by EcoVadis**. Sodexo also remains **the leading company in its sector within the Dow Jones Sustainability Index (DJSI)**, for the 15th consecutive year and was included in the **2020 Bloomberg Gender-Equality Index**, recognizing commitment to advancing women in the workplace. Sodexo also join **Euronext® Eurozone ESG Large 80 Index** family, recognizing its ability to reduce its emissions and to adapt the business model to address the risks and opportunities tied to the transition to a low carbon economy.

- **Changes to the Board of Directors:**
  - Soumitra Dutta, whose term of office expires at the close of the January 12, 2021 Annual Shareholders Meeting, has stated that he does not wish to stand for reappointment. Independent director of Sodexo's Board of Directors since January 19, 2015, Soumitra Dutta has made a significant contribution to the discussions of the Board and the Audit Committee, notably in the fields of technology, digital and strategy.
  - Consequently, the Board proposes to the Shareholders Meeting the nomination of Federico González Tejera as independent board member for a three-year term. Federico González Tejera, of Spanish nationality, is President and Chief Executive Officer of Radisson Hospitality AB. He will bring to the Board his strategic vision as well as his solid expertise in consumer culture gained notably in the hotel sector, where he held executive positions in several multinationals.
  - During the January 12, 2021 Annual Shareholders Meeting, shareholders will also be asked to renew the mandates of Sophie Bellon, Nathalie Bellon-Szabo and Françoise Brougher:
    - Sophie Bellon has been a non-independent director of Sodexo's Board of Directors since July 26, 1989 and Chairwoman of the Board of Directors since January 26, 2016. She brings to the Board and the Group her in-depth knowledge of Sodexo. As Sodexo's most prominent ambassador, she promotes the Company, its Quality of Life services and its mission. Sophie Bellon is committed to ensuring good governance for the Group, and is fully dedicated to the work of the Board of Directors, with an attendance rate at Board meetings of 100% for over ten years.
    - Nathalie Bellon-Szabo has been a non-independent director of Sodexo's Board of Directors since July 26, 1989, a member of the Group Executive Committee and Chief Executive Officer Sports & Leisure Worldwide since June 19, 2018. She brings to the Board her in-depth knowledge of Sodexo and its operations as well as her experience in and contribution to Quality of Life services. During her current term of office her attendance rate at Board meetings has been 97% on average.
    - Françoise Brougher has been an independent director of Sodexo's Board of Directors since January 23, 2012. She brings to the Board her international experience – particularly in the United States – as well her strategic vision and expertise as an executive of publicly traded U.S.-headquartered companies in the digital space. Her expertise is important to help Sodexo adapt to the new behaviors of consumers, customers, employees and suppliers. During her current term of office her attendance rate has been 94% on average.
  - Véronique Laury will be appointed to the Audit Committee to replace Soumitra Dutta.
  - Cathy Martin was renewed for a three-year term as Director representing employees starting on January 12, 2021.

**Commenting on these changes, Sophie Bellon, Chairwoman of the Board, said:**

*""All the members of the Board sincerely thank Soumitra Dutta for his individual input to the work of the Board and the Audit committee. We welcome Federico González Tejera onto the Board and look forward to benefiting from his vision and experience. Should all the resolutions be approved at the Shareholders Meeting, the diversity of the Board remains intact with 70% of its members being independent and 60% being women. I want to thank all the members of the Board for their ideas and support which has been very precious during the worst crisis that the Group has ever seen."*

# Outlook

In the next few quarters, given the high level of uncertainty which we are currently experiencing the effects of the Covid-19 pandemic will continue to be significant for the Group.

The Government & Agencies and Energy & Resources segments will continue to be resilient. Healthcare & Seniors are progressively returning to pre-Covid level. Clearly, some segments, such as Sports & Leisure will not recover until the pandemic is over. Others, such as Corporate Services and Education will see activity improving progressively.

Benefits & Rewards employee benefits issue volumes will return progressively to growth as digitalization and penetration continue to progress, strengthened by working from home trends. This progression could be impacted somewhat by the rising level of unemployment. On the revenue side, the progression is linked to reimbursement patterns and impacted negatively by extremely low interest rates.

At this stage, we see an improvement in first half Fiscal 2021 relative to the second half Fiscal 2020, with an organic decline between -20% and -25%.

- The slow ramp up in S&L we experienced from July to September, mostly in France, is slowing down;
- Education is trending well in Europe but remains volatile in the US with activities varying a lot from one week to another;
- Corporate Services was on a very encouraging trend from July to September in Europe but there are signs that it will be more difficult in the next few months. North America remains very impacted in food services with very slow improvement;
- Energy & Resources, Government & Agencies, Healthcare & Seniors are progressively stabilizing and bring us resilience.

Until activity levels return to more normal levels, the Group is still using all available furlough programs. Strong restructuring measures have and continue to be taken to protect margins going forward, as government support falls away. Detailed work is being conducted across the board in all segments and activities to reduce SG&A.

Our hypothesis for the first half Fiscal 2021 Group underlying operating margin is between 2 and 2.5%.

The free cash flow for the first half Fiscal 2021 will be impacted by the expensing of restructuring costs, cash outflows linked to some payment delays obtained in second half Fiscal 2020 and the reimbursement of the 2020 Olympic Games hospitality packages. We estimate the sum of those three factors to weigh for -250 million euro on our free cash flow. On top of this, the recurrent free cash flow is usually weaker in the first half than the second and we are working with a recurrent free cash flow hypothesis of about -100 million euro for first half Fiscal 2021.

Looking further out, on the basis that the pandemic will be over by 2021 calendar year end, the Group aims to return to sustained growth and to rapidly increase the underlying operating margin back over the pre-Covid level.

The Board and the Executive Committee extend their sincere thanks to the 420,000 employees for their dedication to serving their consumers in a very difficult period for all.

Please note that Sodexo is organizing a virtual **Investor Day** on November 2, 2020. In a period where visibility is particularly reduced, the meeting will provide insight into how the Group adapted to the crisis and some of the most significant trends coming out of the pandemic. During this event, we will highlight and reaffirm the resilience and pertinence of our business model today and in the future, the progress we have made in the last two years and how, in a much more complex operating environment, the Group is well positioned to leverage future opportunities.

# 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 2020. Please find below the numbers to connect from the

| | |
|---|---|
| **UK** | +44 2071 928 338 |
| **France** | + 33 1 70 70 07 81 |
| **USA** | +1 877-870-9135 |

followed by the passcode **63 29 034**.

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 2021 financial calendar

| | |
|---|---|
| Investor Day | November 2, 2020 |
| Publication of Fiscal 2020 Universal Registration Document | November 23, 2020 |
| 1st quarter revenues | January 8, 2021 |
| Fiscal 2020 Annual Shareholders' Meeting | January 12, 2021 |
| 1st half results | April 1, 2021 |
| Nine-month revenues | July 1, 2021 |
| Fiscal 2021 Annual results | October 28, 2021 |
| Fiscal 2021 Annual Shareholders' Meeting | December 14, 2021 |

## 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 64 countries, Sodexo serves 100 million consumers each day through its unique combination of On-site Services, Benefits & Rewards Services and Personal & 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 420,000 employees throughout the world.

Sodexo is included in the CAC Next 20, ESG 80, FTSE 4 Good and DJSI indices.

## Key figures

**19.3 billion** euro in Fiscal 2020 consolidated revenues

**420,000** employees as at August 31, 2020

**N°1** France-based private employer worldwide

**64** countries

**100 million** consumers served daily

**8.1 billion** euro in market capitalization (as at October 28, 2020)

## Contacts


| Analysts and Investors | Press |
|---|---|
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# FINANCIAL REPORT FISCAL 2020

Fiscal year ended August 31, 2020

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# FISCAL 2020 ACTIVITY REPORT

## FISCAL 2020 YEAR HIGHLIGHTS – a year of two halves

### First half Fiscal 2020 on track with "Focus on Growth" strategic agenda and objectives

First half Fiscal 2020 organic growth was a solid +3.2%. On-site sales were up +3.2%, with stable retention and new sales development, and strong same site sales growth, helped by the Rugby World Cup. Benefits & Rewards organic growth was up +4%, with a strong European performance being offset by weakness in Brazil. The Underlying operating margin was stable at 5.9% and the balance sheet remained solid despite an increase in Capex and the traditional 1st half cash outflow.

The first half performance was in line with the Group's Full year objectives of +4% organic growth, to include the Olympic Games in the summer, and stable Underlying operating profit margin at 5.5%.

The Focus on Growth strategic agenda was being deployed in all its dimensions, with strong focus on enhancing operational efficiency, thus providing the capacity to continue to invest in growth. Projects to become more client and consumer centric became a reality, with a new CRM system in place, reinvigorated sales teams, and the first MSDC (Marketing & Sales Distribution Centre) launched in North America. Aspire was deployed with strong uptake by the 50,000 managers involved as part of the Nurturing talent program. The Group-wide WasteWatch program was deployed across 291 sites, the WWF partnership, providing technical support to our corporate responsibility programs, was renewed, and the Group continued to be recognized by different publics, such as our presence in the Bloomberg Gender-Equality index, Industry leader in the DJ Sustainability Index for the 15th consecutive year and joining The Valuable 500 initiative to place disability on the business agenda.

Then came Covid-19, firstly in China, where Sodexo was immediately mobilized. The experience acquired with this first-hand exposure in the region was rapidly transferred to Europe, and then North America as the pandemic spread across the world.

# 2nd half Fiscal 2020 significantly impacted by Covid-19

As the pandemic moved across the world, the priority was to ensure the security of all our people, and then to put in place a set of rigorous actions to protect the results focusing on:

1. Proactively managing the workforce, by using all available furlough dispositions and adapting numbers of employees where there were none.
2. Strictly controlling the cash positions by maintaining ongoing dialogue with clients, postponing capex, projects and M&A, monitoring cash positions daily and ensuring strict compliance with cash-pooling policies.
3. Monitoring our supply chain in order to secure critical supplies of Personal Protective Equipment and rapidly reduce inventories where necessary.

Second half Fiscal 2020 Revenues were down -27.5% organically, with a 3rd quarter at -36%, adjusted for the first two weeks of the third quarter before lockdown, and a fourth quarter at -24.9%, showing a significantly improving trend going into September 2020.

Underlying operating profit flow-through at 21.2%, at constant rates, was in the 20 to 23% hypotheses range provided by the Group in July 2020.

Free cashflow was solid at 465 million euro, excluding the USPP make-whole, during the second half, well above the hypotheses range of -200 million euro to +200 million euro.

# Rise with Sodexo

Having put in place the necessary actions to protect our people, our consumers and our cash, and drawing on the lessons learned from the experience in restarting business in Asia, Sodexo teams and experts quickly identified the key elements to help clients provide a safe and welcoming environment for their employees as they came out of lockdown. This “rise with Sodexo” program is based on the seamless integration of services across On-site services, Benefits & Rewards Services and Personal & Home Services, integrating over 40 essential service offerings, customized specifically to the needs of each client. These services include deep cleaning, disinfection, air control, diversified restaurant services, space management to ensure social distancing for those coming back onsite, and meal cards, digital concierge services and food delivery for those who remain working at home.

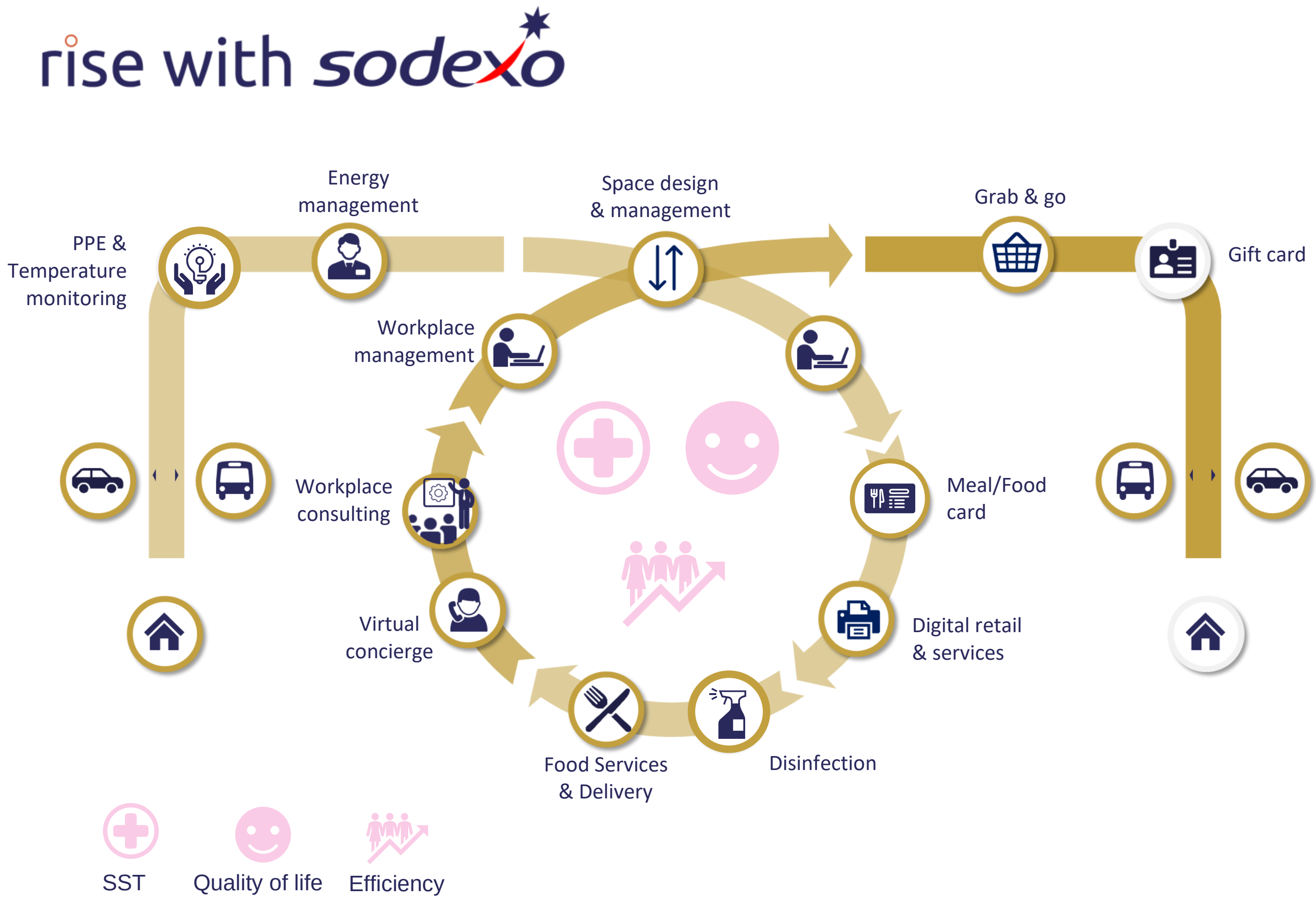
To ensure that all its protocols were safe and at the same time provide that assurance to clients and consumers, Sodexo has

- created a **Medical Advisory Council,** comprised of experts from around the world in epidemiology, family medicine, nutrition, occupational health and behavioral health, as well as pandemic planning and operations, to support the development of new protocols and standards, including Covid-19 related services delivered worldwide. This Council provides technical guidance and validation of health & safety protocols.
- joined forces with **Bureau Veritas** to introduce a **hygiene certification label for Sodexo procedures and services**, giving quality assurance to our clients and consumers that all necessary health steps have been taken when organizations reopen post-lockdown

To support “rise with Sodexo”, Sodexo has reaffirmed **five key sustainability commitments** for a more resilient and green economic recovery:

- continuing the deployment of our WasteWatch food waste reduction program,
- maintaining efforts to reduce single-use items and plastic waste,
- providing access to sustainable eating and “low-carbon” meals,
- promoting sustainable and responsible sourcing,
- enhancing environmental training for our employees.

*Chart also available on https://www.sodexo.com/home/finance.html*
*Sodexo Q3 Fiscal 2020 Revenues - Slide n° 10*



# FISCAL 2020 PERFORMANCE

## Consolidated income statement

| *(in millions of euro)* | AUGUST 31, 2020 | AUGUST 31, 2019 | DIFFERENCE | DIFFERENCE CONSTANT RATES |
|---|---|---|---|---|
| Revenue | 19,321 | 21,954 | *-12.0%* | *-11.2%* |
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| Tax charge[1] | (98) | (277) | | |
| **GROUP NET PROFIT** | **(315)** | **665** | | |
| **EPS** *(in euro)* | **(2.16)** | **4.56** | | |
| **UNDERLYING NET PROFIT** | **306** | **765** | *-60.1%* | *-57.1%* |
| UNDERLYING EPS *(in euro)* | 2.10 | 5.25 | *-60.1%* | |

## 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 FY20 | AVERAGE RATE FY19 | AVERAGE RATE FY20 VS. FY19 | CLOSING RATE FY20 AT 31/08/2020 | CLOSING RATE FY19 AT 31/08/19 | CLOSING RATE 31/08/20 VS. 31/08/19 |
|---|---|---|---|---|---|---|
| U.S. DOLLAR | **1.115** | **1.134** | **+1.7%** | **1.194** | 1.104 | -7.6% |
| POUND STERLING | **0.876** | **0.885** | **+1.0%** | **0.896** | 0.906 | +1.1% |
| BRAZILIAN REAL | **5.255** | **4.384** | **-16.6%** | **6.474** | 4.588 | -29.1% |

The major impact of currencies this year is the decline in the Brazilian Real of 16.6% over the year, but with a particularly sharp drop in the second half of the year. This has had a relatively small impact on Group revenues, compared to the impact on Underlying operating profit due to the higher profitability of the Benefits & Rewards activities, and particularly in Brazil.

Sodexo operates in 64 countries. The percentage of total revenues and underlying operating profit denominated in the main currencies are as follows:

| **Fiscal 2020** | % OF REVENUES | % OF UNDERLYING OPERATING PROFIT |
|---|---|---|
| U.S. DOLLAR | **40%** | **59%** |
| EURO | **24%** | **-38%** |
| UK POUND STERLING | **9%** | **14%** |
| BRAZILIAN REAL | **5%** | **30%** |

[1] *FY 2020 Underlying effective tax rate is at 30.8% which compares to the 29% effective tax rate in FY 2019.*

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 the On-site Services activities in Argentina, Peso figures for Fiscal 2020 and Fiscal 2019 have been converted at the exchange rate of 1€ = 87.865 vs 63.975 ARS for Fiscal 2019.

# Revenues

*Revenues by activity*

| REVENUES BY SEGMENT (in millions of euro) | FY2020 | FY2019 | RESTATED ORGANIC GROWTH | ORGANIC GROWTH | EXTERNAL GROWTH | CURRENCY EFFECT | TOTAL GROWTH |
|---|---|---|---|---|---|---|---|
| Business & Administrations | **10,265** | 11,577 | -12.1% | -10.3% | +0.4% | -1.4% | -11.3% |
| HealthCare & Seniors | **4,815** | 5,210 | -6.6% | -9.4% | +1.7% | +0.1% | -7.6% |
| Education | **3,475** | 4,280 | -18.9% | -20.4% | +0.5% | +1.0% | -18.8% |
| **On-site Services** | **18,554** | **21,067** | **-12.1%** | **-12.1%** | **+0.7%** | **-0.5%** | **-11.9%** |
| **Benefits & Rewards Services** | **773** | **892** | **-7.8%** | **-7.8%** | **+0.2%** | **-5.8%** | **-13.4%** |
| Elimination | **-5** | **-4** | | | | | |
| **TOTAL GROUP** | **19,321** | **21,954** | **-12.0%** | **-12.0%** | **+0.7%** | **-0.8%** | **-12.0%** |

Fiscal 2020 consolidated revenues totaled 19.3 billion euro, down -12% year-on-year. This is the combination of solid first half revenue growth of +3.2%, followed by a -27.5% decline in the second half as the Covid-19 pandemic spread across the world, impacting most of the Group's operating sites, in particular in Schools and Universities and the Corporate Services and Sports & Leisure sub-segments in Business & Administrations, particularly in North America and Europe.

| REVENUES BY SEGMENT (in millions of euro) | H1 FY20 | H1 FY19 | RESTATED ORGANIC GROWTH | H2 FY20 | H2 FY19 | RESTATED ORGANIC GROWTH |
|---|---|---|---|---|---|---|
| Business & Administrations | **6,186** | 5,645 | +5.7% | **4,079** | 5,932 | -29.2% |
| HealthCare & Seniors | **2,538** | 2,552 | -2.0% | **2,276** | 2,658 | -11.1% |
| Education | **2,528** | 2,420 | +2.4% | **947** | 1,860 | -47.2% |
| **On-site Services** | **11,252** | **10,617** | **+3.2%** | **7,302** | **10,450** | **-27.8%** |
| **Benefits & Rewards Services** | **443** | **430** | **+4.0%** | **330** | **462** | **-18.8%** |
| Elimination | **-3** | -2 | | **-2** | **-2** | |
| **TOTAL GROUP** | **11,692** | **11,045** | **+3.2%** | **7,629** | **10,909** | **-27.5%** |

Most segments and activities were impacted by the pandemic in the second half, depending upon the number of site closures. However, some more than others.

| | ACTUALS | | | |
|---|---|---|---|---|
| Revenue organic growth | Q3 | Q3 trend | Q4 | H2 |
| **Business & Administrations** | **-28.5%** | **-34%** | **-29.8%** | **-29.2%** |
| Of which Corporate Services | -27% | -32% | -25% | -26% |
| Of which Sports & Leisure | -84% | -100% | -91% | -88% |
| **Education** | **-53.9%** | **-65%** | **-35.7%** | **-47.2%** |
| Of which Schools | -48% | -58% | -23% | -39% |
| Of which Universities | -59% | -71% | -48% | -55% |
| **Healthcare & Seniors** | **-12.9%** | **-15%** | **-9.1%** | **-11.1%** |
| **On-site Services** | **-30.1%** | **-36%** | **-25.4%** | **-27.8%** |
| **Benefits & Rewards Services** | **-22.8%** | **-27%** | **-15.1%** | **-18.8%** |
| **Group** | **-29.9%** | **-36%** | **-24.9%** | **-27.5%** |

# On-site Services

**On-site Services** revenues declined by -12.1% for the year, with the second half being down -27.8%, the deepest downturn ever registered, severely impacted by the effects of site closures during lockdown and a progressive recovery since.

Despite this significant loss of revenues, the strategic choices and investments that the Group has made over the years, have provided some resilience during this crisis.

In the second half:

- Facilities Management services were down only -1.4% (40% of total On-site Services revenues) and global Integrated FM accounts were flat (10% of On-site Services revenues), while Food services were down -42.2%.
- While North America and Europe were down -35.9% and -28.4% respectively, Asia-Pacific, Latin America, Middle East and Africa (17% of On-site Services revenues) was down only -5.2%.
- In Business & Administrations,
  - The Energy & Resources and Government & Agencies segments together (14% of On-site Services revenues) were up +1.3% in the second half.
  - The decline in Corporate Services (25% of On-site services revenues) was limited to -26% due to the 50/50 mix between FM and Food services and white and blue-collar consumers.
  - Sports & Leisure segment activity closed down rapidly from mid-March, with sales down -88%.
- In Education, despite being closed, Schools were more resilient than Universities due to many local authorities, particularly in North America, providing meals to families in need.
- In Corporate Services, our mix of one third cost plus contracts, two thirds P&L contracts, also helped to ensure against rapid revenue corrections.
- Healthcare & Seniors remained resilient, down only -11.1% (26% of On-site services revenues)
- All key indicators were impacted:

- Client retention rate at the end of the year was solid at 93.5%, up +20 bps, or up +110 bps, excluding a significant number of voluntary exits, with gross profit retention higher at 95.7%. Retention recovered in North America by 230 bps.
- New sales development was down -140 bps at 4.9%, as fewer new projects came up for tender, but margin discipline was maintained with a +50 bps improvement in signed contracts.
- Same site sales decline was -11.9% reflecting the significant food volume falls in many segments, particularly in Sports & Leisure, Education and Corporate Services. Healthcare & Seniors, Government & Agencies and Energy & Resources remained much more resilient due to some offset from cross-selling in particular of specialist hygiene and cleaning services. Only the Energy & Resources segment and the Asia-Pacific region achieved same site sales growth in the second half.

*On-site Services Revenues by Region*

| **REVENUES BY REGION** *(in millions of euro)* | **FY2020** | **FY2019** | **RESTATED ORGANIC GROWTH** |
|---|---|---|---|
| North America | **8,036** | 9,572 | -17.4% |
| Europe | **7,308** | 8,129 | -11.9% |
| Asia-Pacific, Latam, Middle East and Africa | **3,210** | 3,366 | +2.5% |
| **ON-SITE SERVICES TOTAL** | **18,554** | **21,067** | **-12.1%** |

*For the second half only*

| **REVENUES BY REGION** *(in millions of euro)* | **H2 FY20** | **H2 FY19** | **RESTATED ORGANIC GROWTH** |
|---|---|---|---|
| North America | **2,936** | 4,635 | -35.9% |
| Europe | **2,919** | 4,063 | -28.4% |
| Asia-Pacific, Latam, Middle East and Africa | **1,447** | 1,752 | -5.2% |
| **ON-SITE SERVICES TOTAL** | **7,302** | **10,450** | **-27.8%** |

**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 31,000 employees there today. The United Kingdom's exit from the European Union should not significantly impact the Group's activities. The Group is a local player, working with local suppliers and employees, and very often for Government authorities and Government services. In the UK, traditionally, a large part of the services have been FM Services, which have demonstrated their resilience in the current Covid crisis. Action plans have been put in place to limit the impact of a no deal Brexit on food prices and availability. As usual, growth in activity will remain dependent upon outsourcing trends, growth in GDP and employment in the country.

# Business & Administrations

*Revenues*

| **REVENUES BY REGION** *(in millions of euro)* | **FY2020** | **FY2019** | **RESTATED ORGANIC GROWTH** |
|---|---|---|---|
| North America | **2,518** | 3,263 | -24.1% |
| Europe | **4,904** | 5,371 | -13.3% |
| Asia-Pacific, Latam, Middle East and Africa | **2,843** | 2,942 | +3.4% |
| **BUSINESS & ADMINISTRATIONS TOTAL** | **10,265** | **11,577** | **-12.1%** |

Fiscal 2020 **Business & Administrations** revenues totaled **10.3 billion euro**, down -12.1% organically. This was a combination of organic growth of +3.2% in the first half and a decline of -29.2% in the second half.

*For the second half only*

| **REVENUES BY REGION** *(in millions of euro)* | **H2 FY20** | **H2 FY19** | **RESTATED ORGANIC GROWTH** |
|---|---|---|---|
| North America | **860** | 1,693 | -48.5% |
| Europe | **1,920** | 2,715 | -31.6% |
| Asia-Pacific, Latam, Middle East and Africa | **1,299** | 1,524 | -3.4% |
| **BUSINESS & ADMINISTRATIONS TOTAL** | **4,079** | **5,932** | **-29.2%** |

Second half organic growth in **North America** was -48.5%. The region was particularly impacted by a very severe decline in Sports & Leisure due to the closure of stadiums, convention centers and museums from March. Energy & Resources was also impacted by the closing down of many production sites due to the sharp fall in energy prices. Corporate Services was more resilient due to the share of FM services and blue-collar consumers who did not stop working during lockdown. Government & Agencies was also resilient as the military bases remained active throughout the crisis, requiring more services.

In **Europe,** second half revenues were down -31.6% organically, driven by the significant decline in Sports & Leisure and, to a lesser extent, Corporate Services, which have started to see a progressive return to work from May. The Government & Agencies and Energy & Resources segments were very resilient boosted by solid FM activity.

In **Asia-Pacific, Latam, Middle East and Africa** organic revenue growth was -3.4%. Corporate Services activity was down due to the spreading of the pandemic progressively into Latin America and India. Activity in China was back to growth on a monthly basis by the end of the second half. Energy & Resources benefited from strong cross selling of FM services and in particular cleaning and disinfection services to protect consumers from the pandemic, particularly in the mining sector, where sites remained open throughout the period.

# Healthcare & Seniors

| **REVENUES BY REGION** *(in millions of euro)* | **FY2020** | **FY2019** | **RESTATED ORGANIC GROWTH** |
|---|---|---|---|
| North America | **2,950** | 3,211 | -9.7% |
| Europe | **1,579** | 1,678 | -1.7% |
| Asia-Pacific, Latam, Middle East and Africa | **286** | 321 | +1.8% |
| **HEALTHCARE & SENIORS TOTAL** | **4,815** | **5,210** | **-6.6%** |

**Healthcare & Seniors revenues** amounted to **4.8 billion euro**, down -6.6% organically. The first half was down -2% due to some significant contract losses and a large contract exit. In the second half, the lower level of elective surgery and retail sales in hospitals and one further major contract exit led to a decline of -11.1%, even though Senior revenues were more or less stable.

*For the second half only*

| **REVENUES BY REGION** *(in millions of euro)* | **H2 FY20** | **H2 FY19** | **RESTATED ORGANIC GROWTH** |
|---|---|---|---|
| North America | **1,394** | 1,639 | -14.6% |
| Europe | **760** | 842 | -3.9% |
| Asia-Pacific, Latam, Middle East and Africa | **122** | 177 | -9.4% |
| **HEALTHCARE & SENIORS TOTAL** | **2,276** | **2,658** | **-11.1%** |

In **North America,** second half organic growth was -14.6%, impacted by lower elective surgery and retail sales in hospitals and some contract losses and exits, including a new contract exit in the fourth quarter. Seniors activity was stable.

In **Europe,** organic growth was more resilient, down -3.9%. Food services were down significantly and showed no signs of recovery during the period. However, growth came back in the fourth quarter, due to solid cross-selling of new Covid-related hygiene services and a large contract for the Rapid Testing Centers in the UK. Seniors activity was resilient in both quarters and improving in July and August.

In **Asia-Pacific, Latam, Middle East and Africa,** organic revenue growth was -9.4%, deteriorating throughout the second half, as the pandemic spread in Latin America and India.

# Education

| **REVENUES BY REGION** *(in millions of euro)* | **FY2020** | **FY2019** | **RESTATED ORGANIC GROWTH** |
|---|---|---|---|
| North America | **2,569** | 3,098 | -18.5% |
| Europe | **824** | 1,079 | -20.1% |
| Asia-Pacific, Latam, Middle East and Africa | **81** | 102 | -20.3% |
| **EDUCATION TOTAL** | **3,475** | **4,280** | **-18.9%** |

Fiscal 2020 revenues in **Education** were **3.5 billion euro**, down -18.9% organically. While the first half was up +2.4%, the second half was down -47.2%, impacted very significantly by the closure of most sites around the world. Food sales were cut by more than a half, the remainder being principally linked to local authority efforts to provide meals to families despite the school closures. FM services were much more resilient.

*For the second half only*

| **REVENUES BY REGION** *(in millions of euro)* | H2 FY20 | H2 FY19 | RESTATED ORGANIC GROWTH |
|---|---|---|---|
| North America | **681** | 1,303 | -46.5% |
| Europe | **239** | 506 | -49.2% |
| Asia-Pacific, Latam, Middle East and Africa | **26** | 51 | -45.3% |
| **EDUCATION TOTAL** | **947** | **1,860** | **-47.2%** |

In the second half, **North America** was down -46.5%. Although some universities remained open for foreign students who could not get home, most universities and schools were closed from the end of March. Schools were much more resilient than Universities due to a higher share of FM Services and the substantial number of packed meals produced for the local authorities for families in need.

In **Europe**, revenue was down -49.2% organically**.** Schools were closed in all countries from the outset of the crisis. Although 80% of schools were reopened in France in June, attendance remained very low. Summer camp activity helped in certain countries even though it was much more limited in the UK. Some cross-selling of cleaning and disinfection services helped to offset the very significant reduction in food services activity.

In **Asia-Pacific, Latam, Middle East and Africa**, organic growth was -45.3%, with the progressive closing of schools across Asia. Some schools started opening in China before the summer break.

# Benefits & Rewards Services

Fiscal year 2020 **Benefits & Rewards Services** revenue amounted to 773 million euro, down -13.4%. Currencies had a negative impact of -5.8%, due principally to the weakness of the Brazilian real and the Turkish lira. The scope change was negligible. Organically revenues were down -7.8%, split up +4% in the first half and down -18.8% in the second half. While the first half was impacted by lower interest rates and competitive pressures in Brazil, the second half was impacted by the Covid-19 crisis, particularly in Europe in the third quarter and in Latin America in the fourth quarter as the pandemic spread.

| **REVENUES BY ACTIVITY** *(in millions of euro)* | FY2020 | FY2019 | ORGANIC GROWTH |
|---|---|---|---|
| Employee benefits | **607** | 709 | -7.5% |
| Services Diversification* | **166** | 183 | -8.7% |
| **BENEFITS & REWARDS SERVICES** | **773** | **892** | **-7.8%** |

*For the second half only*

| **REVENUES BY ACTIVITY** *(in millions of euro)* | H2 FY20 | H2 FY19 | ORGANIC GROWTH |
|---|---|---|---|
| Employee benefits | **259** | 367 | -17.5% |
| Services Diversification* | **70** | 95 | -23.5% |
| **BENEFITS & REWARDS SERVICES** | **329** | **462** | **-18.8%** |

**Including Incentive & Recognition, Mobility & Expenses and Public Benefits*

In the second half, **Employee Benefit** revenues were down **-17.5% organically,** compared to an organic decline in issue volume (13.5 billion euro) of only -8.4%, showing the resilience of these services. The discrepancy of the performance between revenues and issue volumes is due to the strong fall in interest rates in Brazil and lower merchant revenue due to lower utilization linked to the closure of restaurants during the crisis. As reimbursement was lower, the float grew during the period.

**Services Diversification** was down **-23.5%** organically, resulting from a very significant decline in travel since the outbreak of the pandemic, interrupting the rapid development of Mobility & Expense of the last year. Other services such as the home employee services in Belgium, Corporate Health & Wellness offers, and public benefits were also down strongly in Q3 and gradually recovered in Q4.

| **REVENUES BY NATURE**<br>*(in millions of euro)* | FY2020 | FY2019 | ORGANIC GROWTH |
|---|---|---|---|
| Operating Revenues | **718** | 818 | -6.8% |
| Financial Revenues | **54** | 74 | -18.4% |
| **BENEFITS & REWARDS SERVICES** | **773** | **892** | **-7.8%** |

*For the second half only*

| **REVENUES BY NATURE**<br>*(in millions of euro)* | H2 FY20 | H2 FY19 | ORGANIC GROWTH |
|---|---|---|---|
| Operating Revenues | **306** | 424 | -18.3% |
| Financial Revenues | **23** | 38 | -25.2% |
| **BENEFITS & REWARDS SERVICES** | **329** | **462** | **-18.8%** |

In the second half, **Operating revenues** were down **-18.3%.** While the fourth quarter in Europe showed a marked improvement, in Latin America, the reverse was true, with a strong competitive environment in Brazil and significant reductions in volumes in Peru and Chile for employee benefits. **Financial revenues** were down **-25.2%** largely due to the persistent decline in Brazilian interest rates.

| **REVENUES BY REGION**<br>*(in millions of euro)* | FY2020 | FY2019 | ORGANIC GROWTH |
|---|---|---|---|
| Europe, USA and Asia | **482** | 508 | -4.8% |
| Latin America | **290** | 384 | -11.7% |
| **BENEFITS & REWARDS SERVICES** | **773** | **892** | **-7.8%** |

*For the second half only*

| **REVENUES BY REGION**<br>*(in millions of euro)* | H2 FY20 | H2 FY19 | ORGANIC GROWTH |
|---|---|---|---|
| Europe, USA and Asia | **213** | 264 | -18.0% |
| Latin America | **117** | 198 | -19.9% |
| **BENEFITS & REWARDS SERVICES** | **329** | **462** | **-18.8%** |

In **Europe, Asia and USA,** the organic revenue decline was **-18.0%**, with the third quarter heavily impacted by Covid-19, interrupting paper voucher production in most countries during lockdown and with restaurants closed, impacting merchant reimbursements. In the fourth quarter, the trend improved in Europe as restaurants reopened and there was a catch-up in paper voucher issuance and a move to digital solutions. This was slightly offset by a downturn in India due to the spread of the pandemic.

In **Latin America,** the decline was **-19.9%,** with issue volumes deteriorating through the second half, as the pandemic spread, and amplified by falling interest rates and a very competitive environment in Brazil, particularly in the last quarter. Several markets in the region remained positive, helped by strong sales of Covid-related public and private benefits.

## Underlying operating profit

Fiscal 2020 Underlying operating profit was 569 million euro, down -52.6% relative to the 1.2 billion euro, generated in Fiscal 2019. The Underlying operating margin was 2.9%, down -260 bps or -240 bps excluding the currency mix effect. The On-site Services margin was down -240 bps at 2.6% and the Benefits & Rewards Services margin at 26.2% was down -480 bps, or -300 bps excluding the currency mix effect of the weakness of the Brazilian Real principally.

| *(in millions of euro)* | UNDERLYING OPERATING PROFIT FISCAL 2020 | DIFFERENCE | DIFFERENCE (EXCLUDING CURRENCY EFFECT) | UNDERLYING OPERATING PROFIT MARGIN FISCAL 2020 | DIFFERENCE IN MARGIN | DIFFERENCE IN MARGIN (EXCLUDING CURRENCY MIX EFFECT) |
|---|---|---|---|---|---|---|
| Business & Administrations | 110 | -77.5% | -74.8% | 1.1% | -310 bps | -300 bps |
| Healthcare & Seniors | 293 | -14.4% | -15.2% | 6.1% | -50 bps | -60 bps |
| Education | 75 | -65.7% | -66.7% | 2.2% | -290 bps | -300 bps |
| **ON-SITE SERVICES** | **478** | **-54.5%** | **-53.7%** | **2.6%** | **-240 bps** | **-240 bps** |
| **BENEFITS & REWARDS SERVICES** | **202** | **-26.9%** | **-16.6%** | **26.2%** | **-480 bps** | **-300 bps** |
| Corporate expenses & Intragroup eliminations | (111) | +12.2% | +12.4% | | | |
| **UNDERLYING OPERATING PROFIT** | **569** | **-52.6%** | **-49.6%** | **2.9%** | **-260 bps** | **-240 bps** |

While first half Fiscal 2020 margins were flat year-on-year at 5.9%, second half margins were impacted heavily by the flow-through of the revenue decline due to Covid-19. The flow-through in underlying operating profit was 20.4%, or 21.2% at constant rates. As a result, the second half margin was -1.5%, or -0.9% excluding the currency mix impact.

| | UNDERLYING OPERATING PROFIT | | | | |
|---|---|---|---|---|---|
| | H1 FISCAL 2020 | | H2 FISCAL 2020 | | |
| *(in millions of euro)* | UOP | MARGIN | UOP | MARGIN | FLOW-THROUGH |
| Business & Administrations | 245 | 4.0% | (135) | -3.3% | 22.6% |
| Healthcare & Seniors | 160 | 6.3% | 133 | 5.8% | 12.3% |
| Education | 211 | 8.4% | (136) | -14.3% | 15.5% |
| **ON-SITE SERVICES** | **616** | **5.5%** | **(138)** | **-1.9%** | **19.3%** |
| **BENEFITS & REWARDS SERVICES** | **134** | **30.2%** | **69** | **20.8%** | **62.3%** |
| Corporate expenses & Intragroup eliminations | (64) | | (47) | | |
| **UNDERLYING OPERATING PROFIT** | **685** | **5.9%** | **(116)** | **-1.5%** | **20.4%** |

At current rates, Fiscal 2020 **On-site Services** underlying operating profit was down -54.5% and the margin fell to 2.6%, down 240 bps. This was made up of a solid operating margin of 5.5% in the first half and a negative margin of 1.9% in the second half. The flow-through was 19.3%.

The performance by segment is as follows:

- **Business & Administrations** underlying operating profit decreased by -77.5% and the operating margin was down -310 bps at 1.1%. This decline in margins is entirely attributed to the Covid-related decline in revenues. The flow-through in the second half was 22.6%. Where sites were closed, food stocks were transferred to other entities, sold off or given to NGOs. Staff costs were reduced as quickly as possible, using Government furlough schemes where available. Where there was no alternative, staff were transferred into different segments or let go.
- In **Healthcare & Seniors**, the reduction in underlying operating profit was -14.4%. The margin fell -50 bps to 6.1%. While the first half margins were stable, the second half margins were down 100 bps, due to a flow-through of 12.3%. The relative resilience in Healthcare & Seniors margins reflects the exit of underperforming contracts and strict cost management during the crisis.
- In **Education,** underlying operating profit fell by -65.7% and the margin by -290 bps. The first half margin was down 60 bps due to strikes, and increased health benefit cost increases. The flow-through of the Covid-related decline in revenues in the second half was 15.5%, thanks to strong and early action on staff costs, with the immediate termination of all hourly labor and temporary staff, particularly in North America, the use of all furlough schemes where available and some redundancies.

In **Benefits & Rewards Services**, underlying operating profit was down -26.9%, or -16.6% excluding currency impacts. At 26.2%, the margin was down -480 bps and -300 bps excluding the currency mix effect of the weakness in the Brazilian real. In the first half, the margin had started to recover strongly in the first half, as digital investments had started to plateau, and costs were being managed very strictly. The second half margin was impacted very significantly due to the lower merchant revenues generally due to the closure of restaurants, and the very competitive environment and falling interest rates in Brazil. As reimbursement was lower the float grew during the period.

## Group net profit

**Other operating income and expenses** amounted to 503 million euro compared to 141 million euro in the previous year.

As part of the rigorous measures implemented during the sanitary crisis, the Group has taken pro-active actions in anticipation of the end of government support programs in several countries, to reinforce its agility to adapt to the new business environment and to seize the related market opportunities. As a result, restructuring costs were increased substantially in the second half to 158 million euro, to reach a total of 191 million euro for the year, versus 46 million euro in the previous year.

Additionally, given the deterioration in the short and mid-term performance of some assets due to Covid-19, impairment of acquired intangible assets, goodwill and non-current assets in the second half were 249 million euro, principally linked to assets in the Sports & Leisure and Education segments.

| (in millions of euro) | H1 | H2 | FISCAL 2020 | FISCAL 2019 |
|---|---|---|---|---|
| **Underlying Operating profit** | **685** | **(116)** | **569** | **1,200** |
| **Other operating income** | **5** | **2** | **7** | **11** |
| Gains related to consolidation scope changes | 2 | | 2 | 9 |
| Gains on changes of post-employment benefits | 4 | (2) | 2 | 1 |
| Other | - | 3 | 3 | 1 |
| **Other operating expenses** | **(71)** | **(439)** | **(510)** | **(152)** |
| Restructuring and rationalization costs | (33) | (158) | (191) | (46) |
| Acquisition-related costs | (5) | (4) | (9) | (11) |
| Losses related to consolidation scope changes | (1) | (13) | (14) | - |
| Losses on changes of post-employment benefits | (2) | (2) | (4) | (4) |
| Amortization of acquired intangible assets and impairment of goodwill and non-current assets | (20) | (253) | (273) | (85) |
| Other | (11) | (8) | (19) | (6) |
| **Other Operating income and expenses** | **(66)** | **(437)** | **(503)** | **(141)** |
| **Operating Profit** | **619** | **(553)** | **65** | **1,059** |

As a result, the **Operating Profit** was 65 million euro compared to 1,059 million euro in the previous year.

**Net financial expenses** for the year rose to 291 million euro compared to 100 million euros in the previous year. The increase is principally due to 150 million euro make-whole for the reimbursement of the 1.4 billion euro USPP in the fourth quarter, first implementation of IFRS16 for a total of 25 million euro in the year, a decline in interest income due to lower rates and some currency fluctuations. As a result of the two bond issues in euro in April and July (raising 2.5 billion euro) and the USPP reimbursement, the blended cost of debt at year end was 1.6% against 2.6% at the end of Fiscal 2019, and the average debt maturity is 5.7 years.

The **tax charge** amounted to 98 million euro compared to a pre-tax loss of 230 million euro. The Group has not recognized deferred tax assets for Fiscal 2020 of about 122 million euro, mainly related to tax losses in France where the Group restricted the recognition of deferred tax assets to the amount of the deferred tax liabilities. Excluding this, the underlying effective tax rate would have been 30.8% against 29.0% in the previous year.

The share of **profit of other companies consolidated by the equity method** was 5 million euro. Profit attributed to non-controlling interests was -4 million euro compared to the previous year amount of 21 million euro.

As a result, **Group net loss** was 315 million euro, compared to a net profit of 665 million euro in Fiscal 2019. Excluding Other Operating income and expenses, the make-whole in financial expenses and the exceptional tax write-offs**, Underlying net profit** amounted to 306 million euro, compared to 765 million euro in Fiscal 2019.

# Earnings per share

Published EPS was -2.16 euro, against 4.56 euro in Fiscal 2019. The weighted average number of shares for Fiscal 2020 was more or less stable at 145,778,963 compared to 145,721,534 shares for Fiscal 2019.

**Underlying EPS** amounted to 2.10 euro, down -60.1% compared to the previous year.

## Proposed dividend

To protect the balance sheet given the severity of the Covid-19 downturn in activity, and the uncertainty as to the timing of recovery, and in solidarity with the teams, **the Board has decided not to propose a dividend for Fiscal 2020** even if the Underlying net profit was positive.

# Consolidated financial position

## Cash flows

Cash flows for the period were as follows:

| *(in millions of euro)* | H1 | H2 | FISCAL 2020 | FISCAL 2019 |
|---|---|---|---|---|
| Operating cash flow | 791 | (122) | 670 | 1,139 |
| Change in working capital excluding change in BRS financial assets* | (647) | 702 | 55 | 182 |
| IFRS 16 outflow | (120) | (140) | (260) | - |
| Net capital expenditure | (268) | (125) | (393) | (415) |
| **Free cash flow** | **(243)** | **315** | **72** | **907** |
| Net acquisitions | (13) | (5) | (18) | (301) |
| Share buy-backs | (39) | - | (39) | (7) |
| Dividends paid to shareholders | (425) | - | (425) | (403) |
| Other changes (including scope and exchange rates) | (140) | (105) | (245) | (150) |
| **(Increase)/decrease in net debt** | **(860)** | **205** | **(655)** | **47** |

* *Excluding change in financial assets related to the Benefits and Rewards Services activity of 55 m€ in Fiscal 2020 versus (53)m€ in Fiscal 2019*
*Total change in working capital as reported in consolidated accounts: in Fiscal 2020: €(373)m = €(428)m + €55 and in Fiscal 2019: 129 m€ = 182m€-53m€*

Operating cash flow was down significantly year on year, at 670 million euro compared to 1,139 million euro, reflecting the second half operating losses. The IFRS 16 adjustment of 260 million euro, which comes out below, has no net effect on free cash flow. The positive inflow from working capital in the second half more than offset the outflow in the first half of 647 million euro. This was due to strict cashflow management, with a rapid return to positive cash generation from April, after the significant outflow in March due to the brutal reduction in cash sales, linked to Covid-19 lockdown, and government aid in the form of delayed payment terms.

As the crisis started, net capital expenditure, including client investments, was pushed back resulting in a 50% reduction in the second half, compared to the first half. As a result, capex was down from 415 million euro to 393 million euro, representing 2% of revenues compared to 1.9% in Fiscal 2019. While contract-linked capex in some segments was difficult to stop and IT spend was maintained in line with the plan, the capex to sales ratio was up +20 bps in Business & Administrations at 1.6% and +10 bps in Healthcare at 0.8%, and down -130 bps in Education at 1%. Capex to sales was 9.1% in Benefits & Rewards as investments were maintained. As previously announced, this rate is expected to increase over the next few years to around 2.5%, as retention and development improve in Education and Sports & Leisure, the two biggest segments in terms of capex, and spend progresses on the new food model.

Free cash flow for the full year reached 72 million euro, with the second half inflow more than covering the first half outflow.

Having paused all M&A activity from March due to the Covid-19 crisis, net acquisitions and disposals of subsidiaries was negligible for the year.

The dividend payment of 425 million euro, approved by the Annual General Meeting on January 21, 2020 and paid on February 3, 2020, well before the Covid-19 crisis arrived, reflected the +5.5% increase in the dividend per share.

After taking into account Other changes, principally linked to currency impacts and consolidation scope changes, consolidated net debt increased during the year by 655 million euro to 1,868 million euro at August 31, 2020.

## Acquisitions for the period

Fiscal 2020 was a year of integration for the large number of acquisitions signed in 2019. However, from the onset of the pandemic, M&A activity was put on pause in order to protect the financial structure of the Group. Some investments were nevertheless signed during the period reflecting the need to invest in the evolving food model.

## Condensed consolidated statement of financial position at August 31, 2020

| *(in millions of euro)* | AUGUST 31, 2020 | AUGUST 31, 2019 |
|---|---|---|
| Non-current assets | 9,730 | 9,455 |
| Current assets excluding cash | 4,493 | 5,111 |
| Restricted cash Benefits and Rewards | 770 | 678 |
| Financial assets Benefits and Rewards | 333 | 442 |
| Cash | 2,027 | 1,781 |
| **Total assets** | 17,353 | **17,467** |

| *(in millions of euro)* | AUGUST 31, 2020 | AUGUST 31, 2019 |
|---|---|---|
| Shareholders' equity | 2,758 | 4,456 |
| Non-controlling interests | 15 | 42 |
| Non-current liabilities | 6,834 | 4,722 |
| Current liabilities | 7,745 | 8,247 |
| **Total liabilities and shareholders' equity** | **17,353** | **17,467** |
| **Gross debt** | **4,992** | **4,079** |
| **Net debt** | **1,868** | **1,213** |
| **Gearing** | **67%** | **27%** |
| **Net debt ratio** | **2.1** | **0.8** |

The decrease in shareholders' equity was due to several factors: the currency translation adjustment due to the weakness of some currencies such as the US dollar and the Brazilian real, the revaluation of some financial assets under IFRS9, the first time adoption of IFRIC23, the reported net loss and the payment of the Fiscal 2019 dividend.

As of August 31, 2020, net debt was 1,868 million euro, representing a gearing of 67%, and a net debt ratio of 2.1. This compares to 50% and 1.3 respectively as at February 29, 2020 and 27% and 0.8 as of August 31, 2019.

As soon as the Covid-19 crisis emerged in Europe, cash was very strictly controlled, second half investments were pushed back and means to increase liquidity were identified. In April, the Group issued 1.5 billion euro of bonds at an average rate of just below 1% and a maturity split in two tranches, of which 700 million euro maturing in April 2025 and 800 million euro in April 2029.

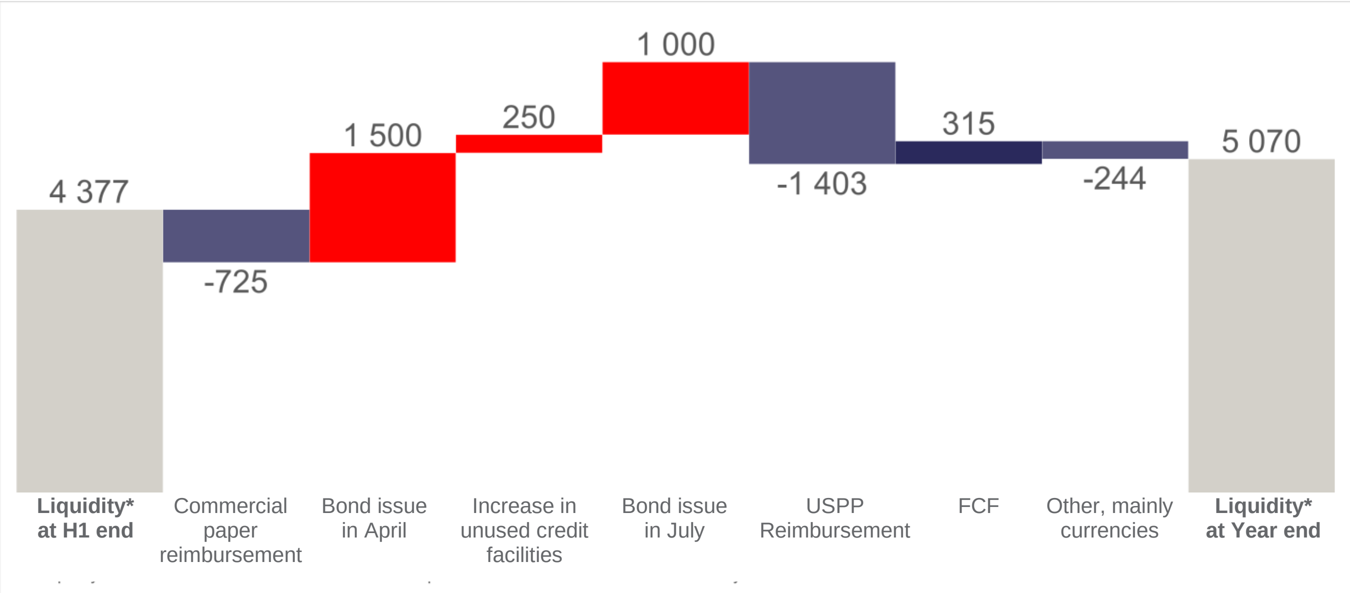
Given the extent of the crisis, and in order to maintain its independence of action, Sodexo decided in June to reimburse the USPP of 1.4 billion euro, thus resolving the issue of the covenant thresholds which were limiting the Group's capacity to restructure and continue to invest in the future. As a result, the Group has no more covenants on its debt. To maintain a high level of liquidity, a further 1 billion euro was raised in the bond market in July at an average rate of less than 0.8%, maturing half and half in January 2024 and July 2028.

As at the end of Fiscal 2020, Operating cash totaled 3,124 million euro, including 770 million euro of restricted cash and 333 million euro of financial assets of Benefits & Rewards Services and net of overdrafts of 6 million euro. The share of operating cash related to Benefits & Rewards Services is 2,082 million euro. With this operating cash and client receivables of 1,274 million euro, compared to voucher liabilities payable of 3,117 million euro, the Benefits & Rewards Services activity asset to liability coverage is at 108%.

At year end, having increased the Group's lines of credit in May by 250 million euro, the yearend total unused lines reached 1.9 billion euro, of which 250 million euro is maturing by May 2021.

As a result, despite the significant decline in revenues and profits in the second half, Group liquidity was solid at nearly 5.1 billion euro at year end.

In millions €




* Liquidity includes Cash and unused credit facilities: of 1,754 million euro in H1 and of 1,946 million euro in H2 of which 250 million euro will mature within FY2021

*Chart also available on [https://www.sodexo.com/home/finance.html](https://www.sodexo.com/home/finance.html) -*
*Sodexo FY2020 Annual Results - Slide n° 18*

## Subsequent events

Significantly impacted by the Covid-19 pandemic, Sodexo France announced on October 27, 2020 an Employment Protection Plan which would involve the reduction of 7% of its workforce, i.e. 2,083 positions mostly in the Corporate Services segment.

Discussions with employee representatives are just starting. Sodexo intends to propose all possible measures to maintain employment for its employees and thus limit the impact of these reorganizations, in particular through a project to support the transfer of its employees, on a voluntary basis, to other activities of the Group in France.

# Alternative Performance Measure definitions

## Financial ratios

| | | FISCAL 2020 | FISCAL 2019 |
|---|---|---|---|
| **Gearing ratio** | Borrowings [1] – operating cash [2] / Shareholders' equity and non-controlling interests | 67% | 27% |
| **Net debt ratio** [1] | Borrowings [1] – operating cash [2] / Underlying EBITDA (underlying operating profit before Interest, Taxes, Depreciation and Amortization) [3] | 2.1 | 0.8 |
| **Debt coverage** | Borrowings / Operating cash-flow | 7.5 years | 3.6 years |
| **Financial independence** | Non-current borrowings / Shareholders' equity and non-controlling interests | 179.4% | 86.8% |
| **Return on equity** | Profit attributable to equity holders of the parent / Equity attributable to equity holders of the parent (before profit for the period) | -10.3% | 17.6% |
| **ROCE (Return on capital employed)** [1] | Underlying operating profit after tax [4] / Average capital employed [5] | 8.6% | 18.3% |
| **Interest cover** | Operating profit / Net borrowing cost | 0.6 | 11.6 |

*(1) Due to IFRS 16 adoption, the Group adjusted the calculation of its performance measures, in particular EBITDA and ROCE. The Group considers the Underlying EBITDA as determined in (3) gives a better understanding as it follows the internal performance measures used by management. For the same reasons, the ROCE calculation uses the Underlying operating profit after tax and not the operating profit after tax, and divided by the average capital employed. The comparative period for Fiscal 2019 is determined on the same calculation basis.*

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

| | | FISCAL 2020 | FISCAL 2019 |
|---|---|---|---|
| **(1) Borrowings** | Non-current borrowings | 4,975 | 3,902 |
| | + Non-current derivative financial instrument liabilities | 13 | 7 |
| | + Current borrowings | 21 | 182 |
| | + Current derivative financial instrument liabilities | 6 | 0 |
| | - Derivative financial instruments recognized as assets | (22) | (12) |
| | Borrowings | **4,992** | **4,079** |
| **(2) Operating cash** | Cash and cash equivalents | 2,027 | 1,781 |
| | + Restricted cash and financial assets related to the Benefits & Rewards Services activity | 1,103 | 1,120 |
| | - Bank overdrafts | (6) | (35) |
| | Operating cash | **3,124** | **2,866** |
| **(3) Underlying EBITDA** | Underlying operating profit | 569 | 1,200 |
| | + Depreciation and amortization | 622 | 302 |
| | - Lease payments (1) | (285) | - |
| | Underlying EBITDA (Underlying operating profit before Interest, Taxes, Depreciation and Amortization) | **905** | **1,502** |
| **Jnderlying operating profit after tax** | Underlying operating profit | 569 | 1,200 |
| | Underlying Effective tax rate (6) | 31.0% | 29.0% |
| | Underlying operating profit after tax | **392** | **852** |
| **(5) Average capital employed (2)** | Property, plant and equipment | 625 | 652 |
| | + Right-of-use assets relating to leases (3) | 1,406 | - |
| | + Leases liabilities (3) | (1,424) | - |
| | + Goodwill | 5,961 | 5,911 |
| | + Other intangible assets | 737 | 75 |
| | + Client investments | 600 | 592 |
| | + Working capital excluding restricted cash and financial assets of the Benefits & Rewards Services activity | (3,343) | (3,256) |
| | Average capital employed | **4,563** | **4,651** |

*(1) As described in note 2.1.2.1, the Group applied IFRS 16 "Leases" from September 1, 2019 using the simplified retrospective approach, without restating the comparative periods. As a consequence, all rents for Fiscal 2019 were recognized in underlying operating profit.*

*(2) Average capital employed between the beginning and the end of the period.*

*(3) In Fiscal 2020, average of the IFRS16 first time application position as of 1st of September 2019 and of the Fiscal 20 closing balance.*

*6) Below the underlying effective tax rate calculation:*

| *(in millions of euro)* | AUGUST 31, 2020<br>Profit before tax excluding share of profit of companies consolidated by the equity method | AUGUST 31, 2020<br>Income tax | AUGUST 31, 2020<br>Rate | AUGUST 31, 2019<br>Profit before tax excluding share of profit of companies consolidated by the equity method | AUGUST 31, 2019<br>Income tax | AUGUST 31, 2019<br>Rate |
|---|---|---|---|---|---|---|
| **Effective** | **(230)** | **(98)** | **-43%** | **957** | **(277)** | **-29%** |
| *Adjustments*: | | | | | | |
| Restructuring costs | 191 | (44) | | | | |
| Impairment | 273 | (57) | | | | |
| USPP allowance | 150 | (42) | | | | |
| Non recognition of non-recurrent deferred taxes | - | 122 | | | | |
| Others | 38 | (11) | | | | |
| **Underlying** | **422** | **(131)** | **30,8%** | **957** | **(277)** | **-29,0%** |

## 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 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 the On-site Services activities in Argentina, Peso figures for Fiscal 2020 and Fiscal 2019 have been converted at the exchange rate of 1€ = 87.865 vs 63.975 ARS for Fiscal 2019.

## 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 the On-site Services activities in Argentina, Peso figures for Fiscal 2020 and Fiscal 2019 have been converted at the exchange rate of 1€ = 87.865 vs 63.975 ARS for Fiscal 2019.

## 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 2020 figures at Fiscal 2019 rates, except for countries with hyperinflationary economies.

2

# CONSOLIDATED FINANCIAL STATEMENTS AS OF AUGUST 31, 2020

## Consolidated income statement

| *(in millions of euro)* | FISCAL 2020 | FISCAL 2019 |
|---|---|---|
| **REVENUES** | **19,321** | **21,954** |
| Cost of sales | (16,842) | (18,756) |
| **GROSS PROFIT** | **2,479** | **3,198** |
| Selling, General and Administrative costs | (1,914) | (2,000) |
| Share of profit of companies consolidated by the equity method that directly contribute to the Group's business | 4 | 2 |
| **UNDERLYING OPERATING PROFIT** | **569** | **1,200** |
| Other operating income | 7 | 11 |
| Other operating expenses | (510) | (152) |
| **OPERATING PROFIT** | **65** | **1,059** |
| Financial income | 30 | 44 |
| Financial expense | (321) | (144) |
| Share of profit of other companies consolidated by the equity method | 5 | 4 |
| **PROFIT FOR THE YEAR BEFORE TAX** | **(221)** | **963** |
| Income tax expense | (98) | (277) |
| **NET PROFIT FOR THE YEAR** | **(319)** | **686** |
| Of which: | | |
| Attributable to non-controlling interests | (4) | 21 |
| **PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | **(315)** | **665** |
| **BASIC EARNINGS PER SHARE *(in euro)*** | **(2.16)** | **4.56** |
| **DILUTED EARNINGS PER SHARE *(in euro)*** | **(2.16)** | **4.50** |

## Consolidated statement of comprehensive income

| *(in millions of euro)* | FISCAL 2020 | FISCAL 2019 |
|---|---|---|
| **NET PROFIT FOR THE YEAR** | **(319)** | **686** |
| **Components of other comprehensive income that may be reclassified subsequently to profit or loss** | **(500)** | **180** |
| 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 | (502) | 190 |
| Currency translation adjustment reclassified to profit or loss | - | (3) |
| 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 | 2 | (7) |
| **Components of other comprehensive income that will not be reclassified subsequently to profit or loss** | **(344)** | **174** |
| Remeasurement of defined benefit plan obligation | 30 | 4 |
| Change in fair value of financial assets revalued through other comprehensive income | (383) | 175 |
| Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss | 9 | (5) |
| **TOTAL OTHER COMPREHENSIVE INCOME (LOSS), AFTER TAX** | **(844)** | **354** |
| **COMPREHENSIVE INCOME** | **(1,163)** | **1,040** |
| Of which: | | |
| Attributable to equity holders of the parent | (1,159) | 1,021 |
| Attributable to non-controlling interests | (4) | 19 |

# Consolidated statement of financial position

## Assets

| *(in millions of euro)* | AUGUST 31, 2020 | AUGUST 31, 2019 |
|---|---|---|
| Goodwill | 5,764 | 6,158 |
| Other intangible assets | 673 | 801 |
| Property, plant and equipment | 566 | 684 |
| Right-of-use assets relating to leases | 1,321 | - |
| Client investments | 575 | 626 |
| Companies consolidated by the equity method | 60 | 62 |
| Financial assets | 601 | 999 |
| Derivative financial instrument assets | 11 | 5 |
| Other non-current assets | 22 | 20 |
| Deferred tax assets | 137 | 99 |
| **NON-CURRENT ASSETS** | **9,730** | **9,455** |
| Financial assets | 40 | 58 |
| Derivative financial instrument assets | 11 | 7 |
| Inventories | 259 | 294 |
| Income tax receivable | 113 | 125 |
| Trade and other receivables | 4,070 | 4,626 |
| Restricted cash and financial assets related to the Benefits & Rewards Services activity | 1,103 | 1,120 |
| Cash and cash equivalents | 2,027 | 1,781 |
| **CURRENT ASSETS** | **7,623** | **8,012** |
| **TOTAL ASSETS** | **17,353** | **17,467** |

## Shareholders’ equity and liabilities

| *(in millions of euro)* | AUGUST 31, 2020 | AUGUST 31, 2019 |
|---|---|---|
| Share capital | 590 | 590 |
| Additional paid-in capital | 248 | 248 |
| Reserves and retained earnings | 1,920 | 3,618 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | **2,758** | **4,456** |
| **NON-CONTROLLING INTERESTS** | **15** | **42** |
| **SHAREHOLDER’S EQUITY** | **2,773** | **4,498** |
| Borrowings | 4,975 | 3,902 |
| Derivative financial instrument liabilities | 13 | 7 |
| Long-term lease liabilities | 1,126 | - |
| Employee benefits | 344 | 403 |
| Other non-current liabilities | 196 | 171 |
| Non-current provisions | 84 | 88 |
| Deferred tax liabilities | 97 | 151 |
| **NON-CURRENT LIABILITIES** | **6,834** | **4,722** |
| Bank overdrafts | 6 | 35 |
| Borrowings | 21 | 182 |
| Derivative financial instrument liabilities | 6 | 0 |
| Short-term lease liabilities | 231 | - |
| Income tax payable | 174 | 99 |
| Current provisions | 171 | 58 |
| Trade and other payables | 4,020 | 4,892 |
| Vouchers payable | 3,117 | 2,981 |
| **CURRENT LIABILITIES** | **7,745** | **8,247** |
| **TOTAL SHAREHOLDER’S EQUITY AND LIABILITIES** | **17,353** | **17,467** |

# Consolidated cash flow statement

| *(in millions of euro)* | FISCAL 2020 | FISCAL 2019 |
|---|---|---|
| **Operating profit** | **65** | **1,059** |
| **Elimination of non-cash and non-operating items** | | |
| Depreciation, amortization and impairment of intangible assets and property, plant and equipment (1) | 896 | 365 |
| Provisions | 122 | (39) |
| Disposal (gains) losses and other non-cash items | 59 | 35 |
| Dividends received from companies consolidated by the equity method | 4 | 10 |
| Interest paid (2) | (291) | (129) |
| Interests paid on lease liabilities | (25) | - |
| Interest received | 43 | 42 |
| Income tax paid | (202) | (204) |
| **Operating cash flow** | **670** | **1,139** |
| Change in inventories | 21 | (3) |
| Change in trade and other receivables | 317 | (384) |
| Change in trade and other payables | (625) | 406 |
| Change in vouchers payable | 343 | 164 |
| Change in financial assets related to the Benefits & Rewards Services activity | (93) | (53) |
| **Change in working capital from operating activities** | **(38)** | **129** |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **632** | **1,268** |
| Acquisitions of property, plant and equipment and intangible assets | (398) | (400) |
| Disposals of property, plant and equipment and intangible assets | 17 | 17 |
| Change in client investments | (12) | (31) |
| Change in financial assets and share of companies consolidated by the equity method | (20) | (94) |
| Acquisitions of subsidiaries | (20) | (308) |
| Disposals of subsidiaries | 3 | 7 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(430)** | **(809)** |
| Dividends paid to parent company shareholders | (425) | (403) |
| Dividends paid to non-controlling shareholders of consolidated companies | (10) | (19) |
| Purchases of treasury shares | (39) | (11) |
| Sales of treasury shares | - | 4 |
| Increase in share capital | - | 1 |
| Change in non-controlling interests | (22) | (1) |
| Proceeds from borrowings | 3,265 | 278 |
| Repayment of borrowings | (2,310) | (257) |
| Repayments of lease liabilities | (260) | - |
| **NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES** | **198** | **(408)** |
| **NET EFFECT OF EXCHANGE RATES AND OTHER EFFECTS ON CASH** | **(123)** | **58** |
| **CHANGE IN NET CASH AND CASH EQUIVALENTS** | **275** | **109** |
| **NET CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | **1,746** | **1,638** |
| **NET CASH AND CASH EQUIVALENTS, END OF YEAR** | **2,021** | **1,746** |

*(1) Including 278 million euro corresponding to the depreciation and impairment of the right-of-use assets recognized in Fiscal 2020 pursuant to IFRS 16.*

*(2) Including 150 million euro allowance due to anticipated refund of USPP (Note 12.4.3.3).*

# Consolidated statement of changes in shareholders' equity

| | | | | | | TOTAL SHAREHOLDERS' EQUITY | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euro)* | Number of Shares outstanding | Share capital | Additional paid-in capital | Reserves and comprehensive income | Currency translation adjustment | Attributable to equity holders of the parent | Non-controlling interests | Total |
| **Shareholders' equity as of August 31, 2019** | **147,454,887** | **590** | **248** | **4,358** | **(740)** | **4,456** | **42** | **4,498** |
| Restatement due to IFRIC 23 first application [1] | | | | (96) | - | (96) | - | (96) |
| **Shareholders' equity as of September 1, 2019** | **147,454,887** | **590** | **248** | **4,262** | **(740)** | **4,360** | **42** | **4,402** |
| Net profit for the year | | | | (315) | - | (315) | (4) | (319) |
| Other comprehensive income (loss), net of tax | | | | (342) | (502) | (844) | - | (844) |
| **Comprehensive income** | | | | **(657)** | **(502)** | **(1,159)** | **(4)** | **(1,163)** |
| Dividends paid | | | | (425) | - | (425) | (19) | (444) |
| Treasury share transactions | | | | (40) | - | (40) | - | (40) |
| Share-based payment (net of income tax) | | | | 38 | - | 38 | - | 38 |
| Change in ownership interest without any change of control | | | | (20) | - | (20) | (4) | (24) |
| Other | | | | 3 | - | 3 | - | 3 |
| **SHAREHOLDERS' EQUITY AS OF AUGUST 31, 2020** | **147,454,887** | **590** | **248** | **3,162** | **(1,242)** | **2,758** | **15** | **2,773** |

*(1) See note 2.1.2 "New accounting standards and interpretations required to be applied".*

| (in millions of euro) | Number of Shares outstanding | Share capital | Additional paid-in capital | Reserves and comprehensive income | Currency translation adjustment | TOTAL SHAREHOLDERS' EQUITY Attributable to equity holders of the parent | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity as of August 31, 2018** | 147,454,887 | 590 | 248 | 3,375 | (930) | 3,283 | 45 | 3,328 |
| Impact of IFRS 9 & IFRS 15 first-time application (1) | | | | 530 | - | 530 | - | 530 |
| **Shareholders' equity as of September 1, 2018** | 147,454,887 | 590 | 248 | 3,905 | (930) | 3,813 | 45 | 3,858 |
| Net profit for the year | | | | 665 | - | 665 | 21 | 686 |
| Other comprehensive income (loss), net of tax | | | | 166 | 190 | 356 | (2) | 354 |
| **Comprehensive income** | | | | 831 | 190 | 1,021 | 19 | 1,040 |
| Dividends paid | | | | (403) | - | (403) | (22) | (425) |
| Treasury share transactions | | | | (7) | - | (7) | - | (7) |
| Share-based payment (net of income tax) | | | | 33 | - | 33 | - | 33 |
| Change in ownership interest without any change of control | | | | (5) | - | (5) | 0 | (5) |
| Other (2) | | | | 4 | - | 4 | 0 | 4 |
| **SHAREHOLDERS' EQUITY AS OF AUGUST 31, 2019** | 147,454,887 | 590 | 248 | 4,358 | (740) | 4,456 | 42 | 4,498 |

*(1) Mainly includes the revaluation at fair value of the 19.61% of Bellon SA, held by Sodexo S.A., in application of IFRS 9 (previously accounted at historical value)*

*(2) Including the effects of hyperinflation, recognition of commitments to repurchase non-controlling interests.*