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SODEXHO ALLIANCE SA
Form 20-F/A
July 24, 2006

As filed with the Securities and Exchange Commission on July 24, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F/A
=====

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b)
OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: August 31, 2005
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from _____ to _____
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: _____

SODEXHO ALLIANCE, SA
(Exact name of Registrant as specified in its charter)

Republic of France
(Jurisdiction of incorporation or organization)

3, avenue Newton
78180 Montigny - le - Bretonneux
France
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
American Depositary Shares, Representing Common Shares Common Shares, par value (euro)4 per share	New York Stock Exchange New York Stock Exchange*

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g)
of the Act: None

Securities for which there is a reporting obligation pursuant to
Section 15(d) of the Act: None

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The number of outstanding shares of each class of stock of Sodexho Alliance, SA at August 31, 2005 was:

Common Shares, par value (euro)4 per share.....159,026,413

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No X

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No X

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-b of the Exchange Act. (Check one).

Large accelerated filer Accelerated filer Non-accelerated Filer X

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 X Item 18

If this is an annual report, indicate by check mark whether the registrant is a Shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

EXPLANATORY NOTE

This Form 20-F/A amends Sodexho Alliance, SA's annual report on Form 20-F for the year ended August 31, 2005, which was filed on February 24, 2006. This amendment revises the originally filed Form 20-F solely to correct certain clerical errors in the certifications filed as Exhibit 12.1, 12.2 and 13.

TABLE OF CONTENTS

Forward-Looking Statements.....ii

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PART I

Item 1.	Identity of Directors, Senior Management and Advisers.....	1
Item 2.	Offer Statistics And Expected Timetable.....	1
Item 3.	Key Information.....	1
Item 4.	Information on the Company.....	7
Item 5.	Operating and Financial Review and Prospects.....	20
Item 6.	Directors, Senior Management and Employees.....	41
Item 7.	Major Shareholders and Related Party Transactions.....	57
Item 8.	Financial Information.....	60
Item 9.	The Offer and Listing.....	61
Item 10.	Additional Information.....	63
Item 11.	Quantitative and Qualitative Disclosures about Market Risk.....	76
Item 12.	Description of Securities Other than Equity Securities.....	76

PART II

Item 13.	Defaults, Dividend Arrearages and Delinquencies.....	76
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds.....	76
Item 15.	Controls and Procedures.....	77
Item 16A.	Audit Committee Financial Expert.....	77
Item 16B.	Code of Ethics.....	77
Item 16C.	Principal Auditor Fees and Services.....	78
Item 16D.	Comparison of French and U.S. Corporate Governance Practices.....	78
Item 16E.	Purchases of Equity Securities by Sodexho Alliance and Affiliated Purchasers.....	78

PART III

Item 17.	Financial Statements.....	79
Item 18.	Financial Statements.....	79
Item 19.	Exhibits.....	79

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"Sodexho Alliance" and "the Group" refer to Sodexho Alliance, SA and its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements included in this Annual Report may include statements which may constitute "forward-looking statements." These statements are not historical facts but instead represent our belief regarding future events, many of which, by their nature, are inherently uncertain and outside of our control. Such statements include information regarding our beliefs, estimates, forecast, projections and current expectations concerning our future financial condition and results of operations, including trends affecting our businesses. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. It should be recognized that factors other than those expressly set forth in this Annual Report, such as general economic factors and business strategies, may be significant, and that the factors discussed herein may affect us to a greater extent than indicated. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. All forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements appearing in this Annual Report. Forward-looking statements in this Annual Report are identified by use of the following words and other similar expressions, among others: "anticipate," "believe," "outlook," "probably," "project," "risks," "seek," "should," "target," "would," "objectives," "could," "estimate," "expect," "goals," "intend," "may," "shall." You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as at the date of the particular statement. We undertake no obligation (and expressly disclaim any such obligation to) update publicly or revise any forward-looking statement as a result of new information, future events or otherwise. In light of these risks, our results could differ materially from the forward-looking statements contained in this Annual Report.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Please see the section entitled "Item 5. Operating and Financial Review and Prospects" for a presentation of selected financial data.

Exchange Rates

The following tables set forth, for the periods and dates indicated, certain information concerning the exchange rate for the euro into U.S. dollars based on the 2 p.m. ECB time rates quoted by the European Central Bank. Unless otherwise indicated herein, exchange rates have been translated throughout this

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Annual Report on Form 20-F at the end-of-period rate corresponding to the period for which the translation has been made.

	At end of period(1)	Average rate(2)	High
Euro per U.S. dollar:			
2001.....	1.0919	1.1316	1.2118
2002.....	1.0170	1.0978	1.1658
2003.....	0.9152	0.9357	1.0364
2004.....	0.8257	0.8296	0.9274
2005.....	0.8198	0.7856	0.8415

 (1) All periods end August 31 of the stated year.

(2) The average of the rates on the last day of each month during the relevant period.

Month ended	High	Low
Euro per U.S. dollar:		
May 31, 2005.....	0.8110	0.7720
June 30, 2005.....	0.8296	0.8114
July 31, 2005.....	0.8415	0.8205
August 31, 2005.....	0.8210	0.8028
September 30, 2005.....	0.8299	0.7974
October 31, 2005.....	0.8380	0.8235
November 30, 2005.....	0.8571	0.8305
December 31, 2005.....	0.8549	0.8319
January 31, 2006.....	0.8456	0.8134

On February 23, 2006, the 2 p.m. ECB time rate quoted by the European Central Bank was (euro)0.8363 = U.S. \$1.0000, or U.S. \$1.1957 = (euro)1.0000. This rate may differ from certain of the actual rates used in the preparation of our consolidated financial statements, which are prepared in euro, and therefore dollar amounts appearing herein may differ slightly from the actual dollar amounts which were translated into euro in the preparation of such consolidated financial statements in accordance with accounting principles generally accepted in France.

A substantial proportion of our assets, liabilities, revenues and expenses are denominated in currencies other than euro, in particular, the U.S. dollar and the British pound sterling. Accordingly, fluctuations in the value of the euro relative to other currencies can have a significant effect on the translation into euro of non-euro assets, liabilities,

revenues and expenses. For information with respect to the impact of fluctuations in exchange rates on our operations, see "Item 3D - Key Information - Risk Factors," "Item 5 - Operating and Financial Review and Prospects" and "Item 11 - Quantitative and Qualitative Disclosures About Market Risk."

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the offer and use of proceeds

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Not Applicable.

D. Risk Factors

You should consider the following risks with respect to an investment in us and investments in our American Depositary Shares ("ADSs").

We depend on the retention and renewal of our existing client contracts and our ability to attract new customers

Our success depends on our ability to retain and renew existing client contracts and to obtain and successfully negotiate new client contracts. Our ability to do so generally depends on a variety of factors, including the quality, price and responsiveness of our services, as well as our ability to market these services effectively and to differentiate ourselves from our competitors. Additionally, our growth in the Service Vouchers and Cards business depends upon our geographic expansion, new product development, superior branding and affiliate networks. We cannot assure you that we will be able to renew existing client contracts or that our current customers will not turn to competitors, cease operations, elect to self-operate or terminate contracts with us as a result of merger or acquisition. We also cannot be certain that we will obtain new contracts in any of our market segments, or that any new contracts will be profitable. If we cannot continue to grow our operations through the renewal of existing contracts or the negotiation of new contracts, our business, financial condition, results of operations and cash flows will be materially and adversely affected.

We may be adversely affected if customers reduce their outsourcing or use of preferred vendors

Our business and growth strategies depend in large part on the continuation of a trend in business, education, healthcare and government markets toward outsourcing services. The decision to outsource depends upon customer perceptions that outsourcing may provide higher quality services at a lower overall cost and permit customers to focus on core business activities. We cannot be certain that this trend will continue or not be reversed or that customers that have outsourced functions will not decide to perform these functions themselves. In addition, labor unions representing employees of some of our current and prospective customers have occasionally opposed the outsourcing trend and sought to direct to union employees the performance of the types of services we offer. Management has also identified a trend among some of our customers toward the retention of a limited number of preferred vendors to provide all or a large part of their required services. We cannot be certain that this trend will continue or not be reversed or, if it does continue, that we will be selected and retained as a preferred vendor to provide these services. Adverse developments with respect to either of these trends would have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our business may suffer if we are unable to hire, train and retain sufficient qualified personnel or if labor costs continue to increase

Certain trends in the global labor market, or in certain specific areas, could adversely impact our business. The global economy has experienced reduced levels of unemployment in recent years, which have created a shortage of qualified workers at all levels. Given that our workforce requires large numbers of entry level, skilled and hourly workers, especially in the delivery of services other than food services to our clients, low levels of unemployment could compromise our ability in certain businesses to provide quality service or compete for new business. A failure to hire, train and retain qualified management personnel, particularly at the entry management level could also

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jeopardize our continued success. Furthermore, increases in wages or employee benefits whether regulatory or otherwise, could have an impact on profitability. Moreover, labor laws in certain countries require us to retain employees of businesses we acquire, which in turn may cause us to incur additional training costs and increase headcount beyond optimal levels.

2

Adverse developments regarding the foregoing trends, individually or in the aggregate, could have a material adverse effect on our results of operations.

We may be adversely affected if claims by employees in connection with their employment are resolved against us

Due to the nature of our business and the large number of individuals we employ around the world, and the risk of employment-related litigation, the resolution of such claims against us could have an adverse effect on our business.

Food shortages, and increases in food or other indirect operating costs could adversely affect our results of operations and financial condition

We face fluctuating food prices and limited availability of certain food items during the year. Food price and availability and transport costs, including the cost of oil and gas, also vary by geographic location. In addition, broader trends in food consumption, such as concern about health and safety, may from time to time disrupt our business. Our typical contract allows for certain adjustments due to rising prices or changed menus over time, but often we must accept a reduced margin for a period of time to ensure the availability of certain required food groups and to maintain customer satisfaction. Our experience has been that changes in food preferences or shortages, when they occur, may adversely affect our profitability at a given location. Although most of our contracts provide for minimum annual price increases for products and services provided by us, we could be adversely impacted during inflationary periods if the rates of contractual increases are lower than the relevant inflation rate.

Our profitability could be adversely affected if we were faced with other indirect cost increases, to the extent we were unable to recover such increased indirect costs through increases in our prices for our products and services. For example, in recent years there has been, in general, a rise in insurance and related premiums. To the extent that food or other operating costs increase, and to the extent we are unable to pass these costs on to our clients for competitive or economic reasons, our profit margins will decrease.

The pricing terms of our services contracts may constrain our ability to recover costs and to make a profit on our contracts

Most of our contracts have a fixed price element. For example, the terms of these contracts could require us to guarantee the price of the services we provide and assume the risk that our costs to perform the services and provide the materials will be greater than anticipated. This type of contract term could expose us to losses if our estimates of contract operating costs are too low. Our profitability on these contracts is therefore dependent on our ability to accurately predict the costs associated with our services. These costs may be affected by a variety of factors, some of which may be beyond our control. If we are unable to accurately predict the costs of fixed price contracts, certain projects could have lower margins than anticipated, which could have a material adverse effect on our business.

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Competition in our industry could adversely affect our results of operations

There is significant competition in the food and support services business from local, regional, national and international companies of varying sizes, a number of which have substantial financial resources. Our ability to successfully compete depends on our ability to satisfy our clients by providing quality services at a reasonable price. Certain of our competitors may be willing to underbid us, accept a lower profit margin or expend more capital in order to obtain or retain business. Existing or potential clients may also elect to self-operate their food service, or to utilize other purchasing arrangements, thereby reducing or eliminating the opportunity for us to serve them or compete for the account.

Moreover, because our business is highly decentralized, it is imperative that we keep pace with advances in technology and information services, especially with respect to inventory, labor and cost management and the communication of our best practices among our operations worldwide. If we do not or cannot make necessary expenditures in these areas, we may be less competitive and, consequently, less profitable.

Unfavorable economic conditions could adversely affect our results of operations and financial condition

Economic conditions in the United States and worldwide have resulted in lower demand for our services from non-government sector business clients, particularly private corporate clients in our Food and Management Services

3

business, with a negative impact on our revenues. Economic conditions may also exert budgetary pressures on public sector clients. Further economic downturns may reduce demand for our services as well as decrease occupancy rates in certain segments of the facilities that we manage. These factors may cause us to lose business, lose economies of scale, or contract for business on less favorable terms than our current prevailing terms. Additionally, our Remote Sites activity is heavily dependent on the oil industry, and therefore can be cyclical and dependent upon oil prices.

Our semi-annual results may vary significantly as a result of factors beyond our control

Our semi-annual results of operations may fluctuate significantly as a result of a number of factors over which we have no control, including our customers' budgetary constraints, school vacations, the timing and duration of our customers' planned maintenance activities and shutdowns, changes in our competitors' pricing policies and general economic conditions. Furthermore, some operating and fixed costs, which remain relatively constant throughout the fiscal year, may lead to fluctuations in semi-annual results when offset by differing levels of revenues. For these reasons, a half-year to half-year comparison is not a good indication of our current performance or how we will perform in the future.

We are subject to extensive regulation

Due to the nature of our industry, our listings on the French and the New York stock exchanges, and the global nature of our operations, we are subject to an international, federal, state, county and municipal laws, regulations and licensing requirements, as well as a large number of regulatory and enforcement

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authorities. The laws and regulations governing our industry have become increasingly complex governing a wide variety of areas, including, among others, labor, employment, immigration, health and safety, corporate governance, consumer protection and the environment. The cost of compliance with these sometimes overlapping and rapidly evolving regulatory regimes and the failure or apparent failure to address any regulatory changes or enforcement initiatives could have a significant impact on our results of operations, and violations of certain regulations could result in penalties, fines, disciplinary actions, increase our litigation risk or harm our reputation. There can be no assurance that additional regulation or enforcement initiatives in any of the jurisdictions in which we operate would not limit our activities in the future or significantly increase the cost of regulatory compliance.

In addition, the growth and success of our Service Vouchers and Cards business depends to an extent upon the continued availability of domestic tax and labor law incentives encouraging the use of service vouchers by employers and employees. A reduction or elimination of these benefits in our more significant markets, or across many of our markets, could have an adverse result on our business and results of operations.

Claims of illness or injury associated with the service of food and beverages to the public could adversely affect us

Claims of illness or injury relating to food quality or food handling are common in the food service industry, and a number of these claims may exist at any given time. As a result, we could be adversely affected by negative publicity resulting from food quality or handling claims at one or more of the facilities that we serve. In addition to decreasing our revenues and profitability at our facilities, adverse publicity could negatively impact our service reputation, hindering our ability to renew contracts on favorable terms or to obtain new business.

Our international business results are influenced by currency fluctuations and other factors that may be different from factors affecting the United States market

A significant portion of our revenues is derived from international markets. During fiscal 2005, approximately 69% and 54% of our revenues and EBITA, respectively, were generated outside the euro zone. The operating results of our international subsidiaries are translated into euro and such results are affected by movements in foreign currencies relative to the euro, especially movements in the value of the U.S. dollar.

Our business is also subject to risks whose effects may be more pronounced in our international operations, including national and local regulatory requirements; potential difficulties in staffing and labor disputes; failures to obtain and manage support and distribution for local operations; significant natural disasters such as electrical black-outs, floods or droughts; fluctuations in local interest rates; inflation; credit risk or poor financial condition of local customers; the potential imposition of restrictions on investments; potentially adverse tax consequences, including imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries; foreign

exchange restrictions; and geo-political or social conditions in certain sectors of our international markets. There can be no assurance that the foregoing factors will not have a material adverse effect on our international operations

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or on our consolidated financial condition, results of operations or cash flows.

Moreover, we expect that revenues from such emerging markets as Latin America, Central Europe and Asia will continue to develop over the long term. Emerging market operations present several risks, including volatility in gross domestic production; credit risk; civil disturbances; economic and governmental instability; changes in regulatory requirements; nationalization and expropriation of private assets; significant fluctuations in interest rates, currency exchange rates and inflation; the imposition of additional taxes or other payments by foreign governments or agencies; and exchange controls and other adverse actions or restrictions imposed by foreign governments.

We are subject to risks associated with our acquisitions of other businesses

We have acquired and may in the future acquire a substantial number of businesses. Our acquisitions may not improve our financial performance in the short or long term as we expect. Acquisitions enhance our earnings only if we can successfully integrate the acquired businesses into our management organization, purchasing operations, distribution network and information systems. Our ability to integrate acquired businesses may be adversely affected by factors that include customer resistance to our product brands and distribution system, our failure to retain management and sales personnel, difficulties in converting different information systems to our systems, the size of the acquired business and the allocation of limited management resources among various integration efforts. In addition, the benefits of synergy which we expect at the time we select our acquisition candidates may not be as significant as we originally anticipated. One or more of our acquisition candidates may also have liabilities or adverse operating issues that we fail to discover prior to the acquisition. Difficulties in integrating acquired businesses, as well as liabilities or adverse operating issues relating to acquired businesses, could have a material adverse effect on our business, operating results and financial condition.

Even if acquired companies eventually contribute to an increase in our profitability, the acquisitions may adversely affect our earnings in the short term. Our earnings may decrease as a result of transaction-related expenses we record for the quarter in which we complete an acquisition. Our earnings may be further reduced by the higher operating and administrative expenses we typically incur in the quarters immediately following an acquisition as we seek to integrate the acquired business into our operations.

Natural disasters, acts of war and terrorist-related events may have a continuing negative impact on our business

We cannot assess with any degree of certainty the future effects on our business of natural disasters and terrorist attacks that have occurred and may occur in the future throughout the world and other responsive actions, including war.

In recent years, natural disasters and terrorist attacks and acts of war have significantly adversely affected general economic and political conditions, increasing many of the risks highlighted in these risk factors. This may have a negative effect on our business and results of operations.

Our transition to international accounting standards may affect our operating results

Due to the adoption by the European Union's Council of a regulation, effective on January 1, 2005, requiring listed European companies to prepare consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), we are currently converting our accounting standards from French GAAP into IFRS. While we do not believe that this

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transition to IFRS will have a material adverse effect on our reported financial condition or results of operations, there are differences between French GAAP and IFRS.

We currently have significant indebtedness and may incur additional indebtedness in the future

At August 31, 2005, our percentage of total debt to total capitalization was approximately 48%. Our total capitalization is the sum of our shareholders' equity, minority interests and borrowings. Some lenders may consider this ratio negatively in their credit decisions. Also, financial and other covenants in our lending agreements may occasionally restrict our ability to operate our business in certain ways. Specifically, our agreements limit our ability to dispose of our assets, our subsidiaries' abilities to guarantee and borrow money, our ability to incur certain types of

5

debt, our ability to merge or consolidate with other companies (subject to certain exceptions) and our ability to alter the fundamental nature of our business (subject to certain exceptions).

We may incur additional indebtedness in the future, subject to limitations contained in the instruments governing our indebtedness, to finance capital expenditures or for other general corporate purposes, including acquisitions. We cannot assure you that our business will continue to generate cash flow at or above the levels required to service our indebtedness and meet our other cash needs, or that we will be able to obtain credit on terms as favorable as those we enjoy currently if our debt to total capitalization ratio increases. If our business fails to generate sufficient operating cash flow in the future, or if we fail to obtain cash from other sources such as asset sales or additional financings, we will be restricted in our ability to continue to make acquisitions for cash and to invest in expansion or replacement of our facilities, information systems and equipment. Such a failure could have a material adverse effect on our business, operating results and financial condition.

Our profitability or reputation may be affected by various operational risks

Operational risk is inherent in our business and can manifest itself in various ways including business interruption, poor supplier performance, information systems malfunctions or failures, regulatory breaches, human errors, employee misconduct, and/or external fraud. These events can potentially result in financial loss, harm to our reputation and/or hinder our operational effectiveness. Our management attempts to control these risks and keep operational risk at appropriate levels by maintaining a sound and well-controlled environment in light of the characteristics of our business, the markets and regulatory environment in which we operate. Notwithstanding these control measures, operational risk is part of the business environment in which we operate and we may incur losses from time to time due to these types of risks.

Risks Related to an Investment in our American Depositary Shares ("ADSs")

The price of our ADSs and the U.S. dollar value of any dividends will be affected by fluctuations in the U.S. dollar/euro exchange rate

The ADSs trade in U.S. dollars. Fluctuations in the exchange rate between the euro and the U.S. dollar are likely to affect the market price of the ADSs.

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For example, because our financial statements are reported in euro, a decline in the value of the euro against the U.S. dollar would reduce our earnings as reported in U.S. dollars. This could adversely affect the price at which the ADSs trade on the U.S. securities markets. Any dividend we might pay in the future would be denominated in euro. A decline in the value of the euro against the U.S. dollar would reduce the U.S. dollar equivalent of any such dividend.

You may not be able to exercise preemptive rights for shares underlying your ADSs

Under French law, shareholders have preemptive rights ("droits preferentiels de souscription") to subscribe for cash for issuances of new shares or other securities giving rights, directly or indirectly, to acquire additional shares on a pro rata basis. Shareholders may waive their preemptive rights specifically in respect of any offering, either individually or collectively, at an extraordinary general meeting. Preemptive rights, if not previously waived, are transferable during the subscription period relating to a particular offering of shares and may be quoted on the exchange for such securities in Paris. United States holders of ADSs may not be able to exercise preemptive rights for the shares underlying their ADSs unless a registration statement under the United States Securities Act of 1933, as amended, is effective with respect to such rights or an exemption from the registration requirements thereunder is available. At the time of any rights offering, we intend to evaluate the costs and potential liabilities associated with any such registration statement, as well as the indirect benefits of enabling the exercise by the holders of ADSs of the preemptive rights associated with the shares underlying their ADS, and any other factors we consider appropriate at the time, and then to make a decision as to whether to file such a registration statement. We cannot guarantee that any registration statement would be filed, or, if filed, that it would be declared effective. If preemptive rights cannot be exercised by an ADS holder, The Bank of New York, as depositary, will, if possible, sell such holder's preemptive rights and distribute the net proceeds of the sale to the holder. If the depositary determines, in its discretion, that such rights cannot be sold, the depositary may allow such rights to lapse. In either case, ADS holders' interest in us will be diluted, and, if the depositary allows rights to lapse, holders of ADSs will not realize any value from the granting of preemptive rights.

6

Holders of ADSs may be subject to additional risks related to holding ADSs rather than shares

Because holders of ADSs do not hold their shares directly, they will be subject to certain additional risks, including those listed below.

In the event of a dividend or other distribution, if exchange rates fluctuate during any period of time when the depositary cannot convert euro into U.S. dollars, the ADS holder may lose some or all of the value of the distribution. There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, or that any of such transactions can be completed within a specified time period.

ADS holders will generally have the right to instruct the depositary to exercise the voting rights for the shares represented by the ADSs if we ask the depositary to ask the holders for instructions. There can be no guarantee, however, that ADS holders will receive voting materials in time to instruct the depositary to vote. It is possible that ADS holders, or persons who hold their

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ADSS through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote at all.

ADS holders may not receive copies of all reports from the depository or us; these holders may have to go to the depository's offices to inspect any reports issued.

You may not be able to effect claims or enforce judgments brought against us for alleged violations of the U.S. securities laws

We are a societe anonyme organized under the laws of France. A majority of our directors and officers are non- U.S. residents, and a substantial portion of our assets and the assets of our directors and officers are and we expect will continue to be located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon us or most of these persons or to enforce judgments against us or them in United States courts. Furthermore, there is doubt as to the enforceability in France, in original actions or in actions for the enforcement of judgments of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States. French courts may not have the requisite jurisdiction to grant the remedies sought in an original action brought in France based solely upon the U.S. federal securities laws.

In order to effectively enforce judgments of U.S. courts rendered against our French officers and directors in France, these persons would have to waive their rights under Article 15 of the French Civil Code, which provides that citizens of France may be sued only in France unless they otherwise consent. We believe that none of these persons has waived this right with respect to actions predicated solely upon U.S. federal securities laws. Furthermore, actions in the United States could be adversely affected under certain circumstances by the French law of July 26, 1968, as modified by a law of July 16, 1980, which may preclude or restrict the gathering of evidence in France or from French persons in connection with such actions.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a leading global provider of services in two primary business areas: Food and Management Services and Service Vouchers and Cards. The Food and Management Services business is segmented into four geographic regions.

In the Food and Management Services business, which accounted for approximately 98% of our total revenues in fiscal 2005, we are a leading global provider of outsourced food and multiservices to businesses, public agencies and institutions, long-term and short-term healthcare facilities, universities and primary and secondary schools. Within our Food and Management Services business, we also provide many of the foregoing services to temporary and remote sites of our clients' operations, specifically those affiliated with oil and gas recovery, major construction projects and mining. Our river and harbor cruises activity operates in various markets and provides tourist excursions and upscale dinner cruises for individuals and corporate consumers alike. In the fiscal year ended August 31, 2005, we had revenues of approximately (euro)11.4 billion from our Food and Management Services business, operating through approximately 26,700 individual outlets in more than 76 countries. Food services include food and beverage procurement and preparation, as well as the operation and maintenance of food service and catering facilities, generally on a client's

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premises. Multiservices include physical plant operations and maintenance, energy management, groundskeeping, housekeeping, custodial and janitorial, on-site laundry and an evolving suite of other services for which our clients have identified a need. Our Service Vouchers and Cards business, which had revenues of (euro)280 million in fiscal 2005, primarily issues and manages the provision of paper and debit-card vouchers to our clients' employees for food, products and services and the provision of various welfare benefits from government clients to their constituents.

Our chairman, Pierre Bellon, launched the company in 1966 in Marseille, France, by providing food service to employee restaurants. Since our founding, we have been focused on growth, especially organic growth. By 1968, we began operating in the Paris area, and we expanded our operations internationally in 1971 with a food services contract in Belgium. Between 1971 and 1993, we continued our international growth with the development of our Remote Sites business in Africa and the Middle East, the extension of our Service Vouchers and Cards business into Belgium and Germany, and the expansion of our food services business into other parts of Europe and Asia and overseas into North America, Latin America and South Africa.

Since 1995, we have rapidly expanded our worldwide presence through organic growth and acquisitions. Our acquisition of Gardner Merchant in 1995 made us the world's largest contract food services company, based on annual revenues, gave us a significant presence in the United Kingdom and the Netherlands and strengthened our operations in North America. In January 1996, we acquired a minority interest in Partena (now known as Sodexho Scandinavia), strengthening our position in the Nordic countries. Currently, we hold 100% of the outstanding capital stock.

In Latin America, the acquisitions of Cardapio in Brazil in 1996, a stake in Luncheon Tickets in Argentina in 1998 and Refeicheque in Brazil in 1999 increased our share of the worldwide service vouchers and cards market. Globally, our annual revenues in this activity are second only to Accor.

In March 1997, we acquired 49% of Universal Services in the United States, and in January 2000 we acquired the remaining stake, forming Universal Sodexho, the world market leader in Remote Sites operations.

In 1998, our North American subsidiaries and Marriott Management Services combined, with Sodexho Alliance holding just under half of the resulting company's share capital. In connection with this transaction, Sodexho Alliance contributed an additional U.S. \$304 million. The transaction created the largest North American food and management services company based on annual revenues, known as Sodexho Marriott Services, Inc., and almost doubled the size of our operations by adding annual revenues of \$3.2 billion (based on 1997 stand-alone revenues) and over 3,000 clients in North America.

In June 2001, we completed a transaction by which we acquired the remaining interest in Sodexho Marriott Services, Inc. ("SMS", now known as Sodexho, Inc.) for approximately (euro)1.3 billion. In the fourth quarter of fiscal 2001, we acquired 100% of the capital stock of the Wood Company ("Wood Dining Services"), a company doing business as Wood Dining Services, and 60% of the capital stock of Sogeres. We exercised our option to purchase the additional 40% of the capital stock of Sogeres in November 2001. The total cost for all of the capital stock of both companies was (euro)521 million, a portion of which was paid in the fourth quarter of fiscal 2001 and the balance of which was paid at the time the remaining shares of Sogeres were acquired in the first quarter of fiscal 2002. Prior to the acquisition, Sogeres had been our fourth-largest competitor, based on revenues, in the French outsourced catering market, operating primarily in Paris, the French Riviera and the Rhone-Alpes region. The acquisition of Wood Dining Services brought a significant regional food service provider into our

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network, adding over 500 clients and the management of over 10,000 employees across 21 states in the United States.

Since 1983, our shares have been listed on Euronext Paris (formerly the Paris Bourse) and on April 3, 2002, our ADSs were listed on the New York Stock Exchange. In February 1997, our shareholders voted to change our name to Sodexho Alliance, SA, and we were duly re-incorporated as such on February 25, 1997, for a duration of 99 years from this date, the maximum allowed under French law. We are subject to Book II of the French Code du Commerce and to Act No. 67-236 of March 23, 1967 concerning "les sociétés commerciales et des groupements d'intérêt économique" (French company law). Except as mentioned above, we and our subsidiaries have not been a party to any material reorganizations, mergers or consolidations and there have been no material changes in our mode of conducting business or in the types of products produced or services we offer. As of the date of this Annual Report on Form 20-F, there has been no indication of any public takeover offer by any third party respecting our shares or by us respecting another company's shares, except as described above.

8

We are headquartered in Paris, France and our registered office in France is 3, avenue Newton, 78180 Montigny-le-Bretonneux. Our general telephone number is 011-33-1-30-85-75-00. Our authorized U.S. representative is Richard Macedonia, and our agent for service of process in the U.S. is Robert A. Stern, Sodexho, Inc., 9801 Washingtonian Boulevard, Suite 1234, Gaithersburg, MD 20878.

Acquisition and Capital Expenditures

The following table sets forth our acquisition and capital expenditures for fiscal 2003, 2004 and 2005.

	Fiscal year ended August 31,		
	2005	2004	2003
	----	----	----
	(millions of euro)		
Property, plant and equipment and intangibles.....	201	176	239
Acquisitions.....	5	79	37
	----	----	----
Total.....	206	255	276
	====	====	=====

We estimate that our consolidated capital expenditures for fiscal 2006 will be approximately 2% of our revenues. This estimate is set yearly and is based on commercial, technical and economic factors such as client demand and the availability of equipment and building space. Capital expenditure estimates remain subject to the finalization of services and other client contractual terms relating to these expenditures.

Property, Plant and Equipment

Approximately two-thirds of our property, plant and equipment capital expenditures involve the purchase of catering equipment used on client premises and certain boats used in our river and harbor cruises activity. The remaining portion of our capital expenditures relates to internal items such as information technology and vehicles used to support our operations. We generally use our clients' premises for food services, and therefore our property, plant and equipment capital expenditures are limited. We do, however, use trucks owned

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or leased by us to deliver food to the premises of our clients in certain markets.

Acquisitions and Divestitures

Our material acquisition expenditures and divestitures since August 31, 2002 are highlighted below.

In March 2004, the Group, through its subsidiary Sodexho Pass do Brazil sold a subsidiary, Medcheque. The company was created in 1997 and its core business was the sale of medical-cards in Brazil. A loss on the disposal of (euro)6 million ((euro)3.7 million net of tax) was recorded as an exceptional expense in fiscal 2004.

During fiscal 2004 we acquired several subsidiaries, including the remaining minority interests in Astilbe and Luncheon Tickets, for a total expenditure of (euro)82 million.

Ongoing capital expenditures for property, plant and equipment are expected to be funded from operating cash flows. Acquisition expenditures may be financed through a combination of subsidiary operating cash flows, investment cash flows, borrowings from financial institutions and other sources, including debt and equity issuances.

B. Business Overview

General

Our operations can be divided into two broad businesses: Food and Management Services and Service Vouchers and Cards. Food and Management Services is our most significant business and accounted for 98% of our revenues for the fiscal year ended August 31, 2005. Approximately 44% of our revenues in this business were generated from our North American subsidiaries. The Service Vouchers and Cards business accounted for 2% of our revenues in fiscal

9

2005. Within the Food and Management Services business, we separate our operations into four geographic regions: North America, Continental Europe, the United Kingdom and Ireland, and the rest of the world.

The tables set forth below summarize certain financial information for these activities for the fiscal years ended August 31, 2005, 2004 and 2003.

	Fiscal year ended August 31,		
	2005	2004	2003
	----	----	----
Revenues by Activity	(in millions of euro)		
Food and Management Services			
North America	5,006	5,031	5,427
Continental Europe.....	3,919	3,760	3,585
United Kingdom and Ireland	1,303	1,351	1,453
Rest of the World	1,164	1,106	974
	-----	-----	-----
Total.....	11,392	11,248	11,439

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Service Vouchers and Cards			
Continental Europe.....	147	129	128
United Kingdom and Ireland.....	5	6	12
Rest of the World.....	128	111	108
	-----	-----	-----
Total Services Vouchers and Cards.....	280	246	248
	-----	-----	-----
Total revenues.....	11,672	11,494	11,687
	=====	=====	=====

EBITA by Activity(1)

Food and Management Services			
North America	222	239	268
Continental Europe.....	203	171	167
United Kingdom and Ireland.....	27	28	21
Rest of the World.....	37	37	18
	-----	-----	-----
Total.....	489	475	474
	-----	-----	-----
Service Vouchers and Cards.....	82	68	68
	-----	-----	-----
EBITA, excluding corporate expenses.....	571	543	542
Corporate expenses.....	(41)	(28)	(28)
	-----	-----	-----
Total.....	530	515	514
	=====	=====	=====

(1) EBITA represents net income before interest expense, exceptional items, income taxes, income from equity method investees, goodwill amortization and minority interests.

Strategy

Since our founding in 1966, our ambition has been to satisfy the expectations of clients, employees and shareholders alike. Accordingly, we have focused on a growth strategy to meet and match each of these expectations. Further, our vision is to improve the quality of daily life. In pursuing this vision, we have focused on the following key priorities:

Accelerate profitable organic growth. Organic growth represents our preferred and most profitable growth alternative as the outsourced food and management services market in which we operate continues to expand. This expansion stems from the worldwide trend towards outsourcing of non-core functions, including food and management services, as enterprises increasingly make strategic decisions to focus on their core businesses and seek service delivery

and cost efficiencies. We seek to be in close proximity to our clients, thereby allowing us to anticipate and satisfy their needs promptly with service solutions tailored to their specific situation.

We expect to find opportunities for organic growth by:

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- o segmenting and sub-segmenting our client base,
- o improving client retention through the reinforcement of client relationships and the implementation in our segments and countries of related initiatives,
- o targeting the segments and sub-segments with the lowest outsourcing rates; in particular, continuing our expansion into the public sector and improving our ability to manage large multinational accounts as we strengthen our organization throughout the world,
- o expanding our food services offering beyond traditional food service sales points into vending, trolley and take-out sales points, directors' tables and executive dining, branded concepts, merchandising and other programs, and
- o expanding our offering beyond food services to "multiservice" solutions such as facility management, building management and maintenance, business support services and ancillary services to individuals.

To supplement organic growth, we may also from time to time, across our business segments, acquire and integrate low-capital intensive, cash-generative businesses.

Improve our operations and our operating margin. We are able to provide and continue to develop more cost-effective services than local, regional and national participants as a result of our economies of scale, our broader range of services and our national and international coverage of large clients. These factors help us at all levels in the management of processes and of our purchasing and delivery logistics.

By leveraging our size across many markets we also:

- o increase the exchange and transfer within our organization of "best practices" pertaining to service offerings, client retention, sales and technology processes, as well as leverage experience gained across the various client segments and markets throughout our operations,
- o leverage our experience and brand through cross-segment teamwork between our Food and Management Services and our Service Vouchers and Cards businesses,
- o are able to better coordinate labor scheduling practices and share training costs across markets,
- o streamline the use of ingredients we use and coordinate menu planning across closely-situated sites,
- o leverage our procurement efficiencies and use of common information technology platforms, and
- o enhance synergies within the Group.

Improve our human resource planning. We are strongly committed to the development and promotion of our staff and invest in our human capital. The human resources department prepares plans and programs to detect, prepare, train and globalize tomorrow's executive teams. It is supported in this role by the Sodexho Management Institute, our internal management training program.

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Diversity is a business imperative and responsibility grounded in our values of service, progress and teamwork. By valuing and managing workforce and supplier diversity, we endeavor to leverage the skills and abilities of all employees and suppliers in order to increase employee, client and customer satisfaction.

Improve cash flow. We seek to minimize working capital requirements and maximize free cash flow. To this end, we implement measures to control internal capital spending, set targets for lower client credit, manage inventories and

11

link bonuses for executives and management teams to the achievement of clearly stated targets at all levels of our organization.

Reinforce control. At the beginning of fiscal 2004, a groupwide initiative known internally as the CLEAR Project (Controls for Legal Requirements and to Enhance Accountability and Reporting) was undertaken, in order to ensure that the Group's internal controls are documented and effective. The CLEAR Project is sponsored by the CEO and the CFO of Sodexho Alliance, and has the support of the Board of Directors, the Executive Committee and the Operational Committee of the Group, all of whom are regularly updated on the project's progress. In addition, the project is coordinated with the Group's external auditors to ensure the propriety of the methodology adopted by the project teams as well as compliance with the auditor's reporting requirements. Descriptive information on the Group's internal controls can be found in the Chairman's Report included in the Document de Reference filed with the AMF on December 12, 2005, which is available on the Group's website, www.sodexho.com. Also see "Item 15" below. Group management continues to reinforce our internal controls, including increasing the intensity and frequency of internal audits and by reporting on controls and risk management to the Audit Committee of our Board of Directors. Our Group Senior Vice President, Internal Audit, who reports to our Chairman, has reinforced our central audit function through his oversight in the following areas: the enhancement of the department's staffing and the development of a risk-based approach to audit planning. Our internal procedures, delegation and contract review policies are regularly reviewed and updated. A summary of risks and financial commitments is presented regularly to the Audit Committee by Group management.

Our disclosure committee regularly evaluates our disclosure controls and reviews annual and semi-annual reports, financial press releases, our Annual Report on Form 20-F, and other information presented to shareholders. As a consequence, existing disclosure procedures and controls are evaluated and updated regularly as appropriate.

Encourage transparency and communication. We are continuing to develop a global intranet aimed at facilitating the exchange of best practices, ideas and procedures throughout our entire network. We have made, and will continue to make, significant investments in our information technology systems because we believe that the use of such systems for menu planning, the accurate measurement and reporting of client and consumer activity, as well as inventory, labor and performance reporting, are central to our continued success. Through our technology infrastructure, we intend to continue to provide our unit managers with tools that help them manage operations efficiently, thereby enhancing the value for our clients of the services we provide.

Food and Management Services

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Overview

We are a global food and management services contractor. In the fiscal year ended August 31, 2005, our revenues in this activity were approximately (euro)11.4 billion. In fiscal 2005, we operated through approximately 26,700 individual outlets in 76 countries. None of our clients is responsible for more than 2% of our total revenues.

To serve our clients and increase revenues, we pursue a market segmentation strategy based on client needs. The industry markets in which we operate are Business and Industry (which includes both corporate clients and government entities), Healthcare, Education and Remote Sites. Within each of these industry markets, we have identified sub-segments which permit us to target and address client requirements promptly and efficiently.

Business and Industry. The Business and Industry market accounted for (euro)5.1 billion of our Food and Management Services business revenues in fiscal 2005, delivered at over 14,900 sites, representing 45% of our total Food and Management Services business revenues. Traditionally, this market has been comprised of corporate customers, whom we provide with food services as well as vending, reception, mailroom, cleaning and facilities maintenance. Over the last 40 years, we have expanded the range and depth of our services and clients to include the following:

- o providing food and management services to government agencies and other public clients, such as the defense sectors including those in the United States, the United Kingdom and Australia;

12

- o providing food service at prestige occasions, which include some of the world's most prominent tourist, sports and recreational events like the Royal Ascot horse races, the Paris-Bercy and Roland-Garros Tennis Tournaments and the upcoming 2007 Rugby World Cup to be held in France;
- o providing a full range of executive dining services and the management of conference centers and private clubs for our corporate clients; and
- o providing food service and custodial services, maintenance, transportation, professional training, and rehabilitation services to correctional facilities in many locations outside of North America.

In our River and Harbor Cruises activity, we have selectively built an international presence as a premier boat operator in France, the United States and the United Kingdom, rendering us the largest operator of river and harbor cruises in the world, based on annual revenues. This activity is more capital intensive than the remainder of our businesses.

Healthcare. For fiscal 2005, revenues in the Healthcare market totaled (euro)2.8 billion at approximately 5,700 sites, representing 25% of our total Food and Management Services business revenues. In this market, we provide catering services, vending, meal delivery, patient transport, room upkeep, cleaning, groundskeeping, laundry and maintenance services, to hospitals, clinics, nursing homes, retirement and care centers around the world. In order to better address our clients' needs, we have sub-segmented the Healthcare market into long-term care facilities, primarily for seniors, and acute care facilities, providing services primarily to hospitals and outpatient clinics. Historically, a larger proportion of our business has come from the acute care facilities, but restructuring in the healthcare industry in recent years has

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resulted in fewer hospital beds as well as in shorter patient stays, leading the total short-stay market to expand by only two to three percent each year, but the outsourced market remains dynamic and is expanding by 3.5 to 4.5 percent annually. Similarly, long-term trends in caring for the elderly have led the long-stay market to expand by approximately 2% each year. The Healthcare market has traditionally been more insulated from economic downturns than the Business and Industry market, lending stability to our revenue base.

Education. In fiscal 2005, revenues in the Education market totaled (euro)2.8 billion at about 4,400 sites, representing 25% of our total Food and Management Services business revenues. This portion of our business provides food and management services to educational institutions ranging from nursery schools to universities. Clients choose us to design, manage and equip their food service facilities and to provide a wide range of incidental services. Besides food, we offer vending, laundry, maintenance, groundskeeping, environmental services, day care, mealtime supervision and hospitality services. Like the Healthcare market, the Education market is relatively unresponsive to changing economic conditions and thus contributes to reducing volatility in our revenues.

Remote sites. As of the end of fiscal 2005, we operated the Remote Sites activity on about 1,600 sites around the world and generated revenues of (euro)0.655 billion. Our primary clients in this activity are oil and gas, construction and mining businesses, to which we offer a wide range of food, hotel, cleaning, technical maintenance, security, groundskeeping, medical surveillance and leisure services, as well as the management of on-site clubs and retail outlets. Clients in the oil and gas industry currently represent approximately two-thirds of our business in this activity. This business tends to be cyclical, depending upon the price of oil and gas, which drives exploration efforts, and the extent of economic growth, which drives the construction market. We estimate the worldwide remote sites services market, which spans five continents, to be approximately (euro)10 billion per year, and our only global competitor currently is Compass; the remainder of the market is served by many local providers. We believe that new opportunities will develop for service providers as trends in prices for raw materials stabilize and the depletion of natural reserves in some countries leads to prospecting in new onshore and offshore areas.

Services Mix

Most of our revenues are generated from food services, but our revenues in the Food and Management Services business increasingly arise from providing ancillary support and facility management services to our clients, which, together with food service, we refer to as "multiservices". The multiservices market is underpenetrated; we estimate the not-yet-outsourced portion to be (euro)380 billion annually worldwide. We expect that the proportion of non-food services we provide will increase relative to our food services in the future.

Food Services. The food services industry is broadly divided among the areas of contract catering, concessions, vending and restaurants. The food services we provide can generally be described as contract catering - that is, the preparation and provision of meals to third parties on behalf of a client, usually on the premises of the client in cafeterias or other on-site facilities. The third parties to whom we supply our food services tend to be either employees of our clients or consumers of other services provided by our clients. Corporate clients request food services for their staff employees and executives, hospitals do so for their patients and visitors, retirement

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communities for their residents, and schools for their students.

Capital requirements in this business are minimal because of:

- o low capital expenditures, as operations are generally conducted at client sites;
- o low fixed costs; and
- o predictable cash flow from client and customer payments, which reduces working capital needs.

For certain clients, such as primary and secondary schools in France, we use central kitchen areas financed or owned by our clients where we prepare foods for delivery to client sites. We then arrange for delivery of these prepared foods to locations where either our employees or, depending on the contract arrangement, workers hired by the client serve the food to its ultimate consumers. In the majority of cases, however, we prepare and serve the food on-site.

Within this core business, we also provide advice and technical support with respect to the design and installation of food service facilities and the training of catering and other service personnel. Innovation in this activity is crucial to meeting demand and enhancing our client base. We have, for instance, expanded our core food service business from basic on-site food preparation and service to event catering, take-out, office delivery, off-site meal delivery, and vending. New vending concepts allow teams working during non-business hours to get hot meals at any time during the day or night at a reasonable cost. Small companies without cafeteria facilities can have meals delivered to them on-site or have vending machines installed.

Our ability to attract and retain clients depends not only on the cost, quality and efficiency of our service but also on our ability to gauge and address the preferences of the consumers for the food we serve. Consequently, we see the design, tailoring and innovation of our menu options including the branding of innovative concepts as a key aspect of the services we provide. In the Education market, we have profiled and analyzed different age groups through parent and child interviews, independent market studies and other methods in order to develop optimal food service packages for students. In the Healthcare market, in connection with the long-term healthcare business, we have designed a broader range of purpose-designed services to meet the needs of an ever-growing number of seniors based on an international profile of seniors and their lifestyles we developed, the first of its kind in our industry. In the Business and Industry market, we have adapted the practices of food stations and theme menus to the particular needs of our clients and their employees using our customer profiling system, Personix(R).

Multiservices. Recognizing significant value added to our clients in service areas that are not directly related to food is a focus area of our growth strategy. We believe that providing these additional services is key to our expansion. As consumers' needs become more sophisticated, clients will continue to seek service contractors who are able to provide solutions for all of their non-core food and management services on a quality, efficient, cost-effective basis. With years of experience, we have become specialists in the industry sectors of our client segments, and are able to provide ancillary services complementary to our food services, which fall into three main categories:

- o People services, which are tailored to end-users and provided on the client's premises. These include our retail food services as well as dry cleaning, newsstands, leisure services and the on-site management of health club facilities and day care centers.

- o Business support services, which add value to our clients through the management of peripheral business activities. Reception, mailroom, switchboard, security and surveillance and transportation are among the tasks which we perform to ensure the smooth operation of our clients' businesses.

14

- o Building management and maintenance services, which comprise groundskeeping, housekeeping, custodial and janitorial services, as well as the technical maintenance operations required to deliver electricity, water, other utilities, heating and ventilation to the various areas on a particular site. In Europe, for example, our subsidiary Altys provides building services to large client accounts such as Cisco in France, Belgium and Germany. In North America, we have developed construction management services for healthcare and/or educational institutions.

The Market for Outsourced Food and Management Services

We estimate that approximately one-half of food management services worldwide currently remain self-operated, and an even greater proportion of other ancillary services is not yet outsourced. We believe that over the past ten years, the portion of outsourced Food and Management services has increased steadily and we further believe that this trend will be reinforced by the growing advantages of outsourcing peripheral activities in favor of large, experienced contractors capable of providing higher quality services at a lower cost. Specifically, outsourcing support functions allows potential clients to:

- o improve the quality and consistency of support services through professional management;
- o benefit from current, innovative trends in procurement and delivery of these services; and
- o improve cost effectiveness through the economies of scale and operational synergies that a specialized provider can achieve.

Outsourcing recently has grown particularly in the Education and Healthcare markets, where a large number of the services we provide had historically been undertaken by the government or other public institutions. Future growth in this public sector area remains subject to government policies; however, governments have found outsourcing to be a useful tool in attempting to reduce central expenses and budget deficits.

Healthcare represents the largest potential market for food and management services with outsourcing rates still comparatively low. We estimate that more than half of this market is in short-stay care centers (public and private hospitals) and the remainder in long-term care facilities for the elderly and dependent. On average, we estimate that about one quarter of this market is currently outsourced, with short-stay facilities generally more likely to outsource than long-stay facilities by a ratio of almost two-to-one. A multiservice approach is especially important in the Healthcare market, where pressure on cost structures combined with greater life expectancy and increasingly sophisticated medical technologies has led clients to seek to reduce the cost of services that are not an integral part of their business.

We estimate that the Education market is about one-third outsourced, with

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about one quarter of private sector institutions and about three quarters of public institutions outsourcing food service. Much of the opportunity for outsourcing in the Education market is concentrated in ten countries. The campus dining marketplace, principally colleges and universities, continues to shift from residential board plans to more retail-oriented operations driven by the growing proportion of non-resident day and evening students on campuses, the changing taste and service preferences of young consumers, and colleges' and universities' desire to provide their students with greater flexibility. Traditional cafeterias are being replaced by food courts and similar retail operations providing greater variety of food selection. We believe that these trends, coupled with cost pressures, lead public and private institutions to consider outsourcing. Over the past three years, outsourcing in the Education market has increased steadily.

There are significant growth opportunities also in the Business and Industry market, especially in public sectors such as defense in developed countries and across all sectors in emerging markets.

The market for multi-service national providers (food and facilities) is growing as large corporations are moving toward outsourcing all of their non-core services on a multisite and multiservice basis. We estimate that only about half of such services are outsourced on average, but substantial differences exist from one country to another.

15

We estimate the outsourcing potential for multiservices as a whole to be two and one-half times greater than that for food services alone. We believe this potential reflects not only low independent contractor penetration but also an increasing trend of clients seeking a single-source solution for their facilities and on-site needs.

Contracts

We use two broad contract types in our Food and Management Services business: profit and loss contracts and management fee contracts. However, many of our contracts contain characteristics of both types of contract. The primary distinguishing feature of each contract type is the amount of financial risk we bear and, conversely, our profit or loss potential. Our revenues under each type of contract may vary substantially depending upon such factors as the type of client facility involved, whether hourly workers are employed by us or by our client, the services requested and the amount of capital, if any, invested by us.

In profit and loss contracts, we generally receive all revenue derived from and bear all expenses incurred in providing our services. Expenses under profit and loss contracts generally include labor and food costs, but they can also include commissions paid to the client, typically calculated as a percentage of revenues made on the client's premises. In some cases, we may agree to pay minimum guaranteed commissions to our clients. We may also receive client subsidies to cover our fixed operating costs. Profit and loss contracts are generally indexed for inflation, although our ability to change prices in response to significant variations in cost may be limited. We believe, however, that the existence of a captive on-site customer group, the relative ease of determining sales volumes and operating margins, standard termination provisions and our broad institutional client base limits and diversifies our risk with respect to these contracts.

In management fee contracts, we receive a fee, which is generally fixed,

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and we are reimbursed for the operational and administrative expenses we incur. These contracts have varying terms and may in some instances provide for the client to purchase food and labor directly or for us to make such purchases and re-invoice the costs to the client. In either case, our profit potential and risk of loss are generally fixed.

In the Business and Industry market, a reduction in client subsidies combined with pressure on costs has resulted in a move from management fee to profit and loss contracts. In the Healthcare market, industry trends, especially in the United States, away from fee-for-service payments and towards a managed care environment has shifted the risk and burden of cost control from insurance providers to the health care institutions themselves, forcing them to focus not only on the cost component of clinical care but also on the cost of all services, including food and facilities management. Many contracts with healthcare clients condition a portion of our compensation on financial performance objectives as well as other measurements by third parties, such as patient satisfaction.

The length of contracts that we enter into with clients varies. The majority of our services are provided under contracts of indefinite term, which are generally subject to termination on three months' notice by either party without cause. Certain client contracts, such as those with universities, hospitals and event catering, which require capital investments on our part, tend to have fixed terms, generally between three and ten years. When we enter into these contracts, we may negotiate a capital investment to help finance facility construction or renovation. Contractually required investments typically take the form of an investment in leasehold improvements and food service equipment. At the end of the contract term or its earlier termination, assets such as equipment and leasehold improvements typically become the property of the client, but generally the client must reimburse us for any undepreciated or unamortized capital expenditures.

Food and Management Services contracts are generally obtained and renewed either through a competitive process or on a negotiated basis. We selectively bid on contracts to provide services at facilities within the private and public sectors with contracts in the public sector frequently being awarded on a competitive bid basis under the requirements of applicable law. Contracts for food services with school districts and other public clients are typically awarded through a formal bid process.

Competition

We face significant competition in the Food and Management Services business from local, regional, national and international outsourced service providers, as well as from businesses, healthcare and educational institutions, and

government agencies and institutions that choose to operate their own services following the expiration or termination of contracts with us or with our competitors. We compete on the basis of both price and quality of service and product, although in some cases, generally involving large multinational companies or the government sector, clients put a greater emphasis on price. Our mission is to improve the quality of daily life, and hence create value for our clients, and our strategy is to avoid the commoditization of our service offering. Accordingly, we may lose some business to competitors on the basis of price.

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Within the outsourced portion of the global market there is a high level of fragmentation. Only the top two companies, we and Compass (headquartered in the United Kingdom), can be considered truly global enterprises. The next two largest contract caterers, Aramark (headquartered in the United States) and Elior (headquartered in France), are pursuing expansion outside of their home countries through acquisitions, but they still remain largely dependent on their domestic or continental markets. Approximately 21% of Aramark's food and management services revenues come from overseas operations and although 41% of Elior's revenues are earned outside of France, it generally does not operate outside of Europe.

The following table shows the ranking of the three leading contract caterers, in terms of revenues, in different market segments, as of August 2005.

	Business & Industry -----	Education -----	Healthcare -----
No. 1.....	Compass	Sodexho	Sodexho
No. 2.....	Sodexho	Compass	Compass
No. 3.....	Aramark	Aramark	Aramark

Source: Broker reports, GIRA

On a national scale, competition levels vary significantly, though concentration is generally higher than on the global stage. High concentration levels are found in some countries such as France and the Netherlands, where we, together with two other companies have over 75% of the outsourced food service market. By contrast, more fragmented environments tend to exist in some of the other countries in which we operate.

While the markets in which we operate continue to be highly fragmented, in recent years the contract food service industry has experienced consolidation and multinational expansion. Drivers for consolidation come from both the client and supplier side. A larger entity with international coverage is able to tender for the larger contracts and can negotiate better terms from its suppliers. In addition, larger companies can obtain economies of scale and implement best practices across sites. As a result of these benefits of scale, consolidation in the industry has been accelerating, both in terms of the number and size of deals.

Service Vouchers and Cards

In our Service Vouchers and Cards business, we have operations in 27 countries, mainly in Europe and Latin America, and our vouchers are used by nearly 14 million people. For fiscal 2005, this activity issued approximately 1.6 billion vouchers and 2 million cards on behalf of more than 320,000 clients and generated revenues of (euro)280 million. Our vouchers were accepted at over 821,000 locations and the total nominal value, which is not included in our revenues, of vouchers issued in fiscal 2005 was (euro)5.3 billion. This business generates negative working capital and requires only a modest level of capital investment.

Our Service Vouchers and Cards business currently comprises three categories of services: Daily Life, Motivation and Assistance, where our vouchers and cards are used to purchase items such as groceries, clothing and school books. This business, which focused originally on managing employee fringe benefits for companies, has indeed expanded from reward solutions for employees to controlling and managing welfare benefits allocated by federal authorities. Our clients are generally commercial enterprises and community and governmental entities. Revenues from service vouchers and cards activities include the commissions paid by our customers who buy the service vouchers and

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cards from us and commissions from our affiliated retail outlets where the service vouchers and cards are redeemed. Customer commission revenues are recorded at the time of issuance of the service voucher or card. Affiliate

17

commission revenues are recorded at the time of redemption. Revenues also include interest income from the investment of proceeds from the time of sale of the vouchers to our customers until the time of their redemption, when we must repay our affiliates, generally a one-to-three-month period. Service vouchers are used by businesses of all sizes, primarily in large urban centers, and they frequently carry tax or labor law benefits.

To meet new needs and enhance quality, we are constantly expanding our range of services through research and development in card technology, data processing, security and control systems. Express voucher delivery and personalized voucher pick-up from restaurants both significantly contributed to the efficient handling of approximately 1.6 billion issued vouchers. We are also developing card technology in Europe and Latin America to offer an advanced solution to client businesses and government agencies which require a more secure, comprehensive alternative to vouchers.

We estimate that the market for service vouchers and cards is more than (euro)30 billion in issue volume worldwide. We are the second-largest service vouchers and cards business in the world, based on annual revenues. We have only one significant global competitor, Accor. Significant drivers in the industry include product development, geographical expansion, name recognition (branding) and the synergy effects of building large networks of affiliates. Our current objective in this activity is to consolidate our number two position by offering the best perceived quality services in the market. To maintain and improve quality services, we focus on the development of new services by fostering innovation, developing new services and enhancing our know-how in new technologies.

Raw Materials

Raw materials essential to the operation of our business are obtained principally through local and national food distributors in each of the jurisdictions in which we operate. As such, we are subject to fluctuating food prices and availability, both of which can vary by location. Furthermore, because of the relatively short storage life of inventories, especially produce, limited storage facilities at customer locations and our client requirements for freshness, a minimum amount of inventory is maintained at customer locations at any given time. All materials and services that we purchase are available from more than one supplier, and we believe that the loss of any supplier would not have a material impact on our business.

Since our inception in 1966, we have been highly proactive in addressing food safety and health concerns. For example, in November 1999, we formed a Food Safety Committee in France to anticipate and manage food safety risk. Comprising four prominent professors and medical doctors specialized in nutrition and food safety, this committee is supported by the technical resources of the Institut Pasteur de Lille, a Sodexo partner for more than 20 years, and the French Food Safety Agency. Similar food safety programs are continuously being developed and extended across Europe and in other countries. End-to-end traceability has been introduced in all of the procurement channels, whether for meat or other products.

Seasonality

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Although revenues of our business as a whole do not tend to fluctuate significantly by season, certain market segments have been characterized historically by seasonal fluctuations in overall demand for services, notably the Education market of our Food and Management Services business and our River and Harbor Cruises operations. In the Education market, revenues and operating performance depends on the school, college and university calendar in each country, with low activity levels during the long vacation periods, principally in our fiscal fourth quarter. Our River and Harbor Cruises operations generally benefit from increased tourism levels in the fourth quarter and may be reduced to restricted operating levels in our fiscal second and third quarters as a result of inclement weather.

Regulation

The following description of the regulations to which we are subject does not purport to be complete and is qualified by reference to the relevant provisions of applicable law in the jurisdictions in which we operate.

We are subject to various governmental regulations throughout the world in the course of our operations. These regulations govern such matters as employment, including wages; environmental protection; human health and safety; and the bidding for and performance of contracts with governmental entities. To ensure compliance with these

18

regulations, our facilities and products are subject to periodic inspection by authorities at a local and national level in many jurisdictions in which we operate.

The most significant of the regulations which apply to our business relate to the handling, preparation and serving of food, and impose standards for food temperature, kitchen cleanliness and employee hygiene, among other things. In addition, certain of our operations are subject to licensing requirements with respect to serving alcoholic beverages, including restrictions on individuals to whom alcoholic beverages may be served. Various state agencies and governmental entities have also imposed nutritional guidelines and other requirements on us at some of the education and corrections facilities we serve.

Many of our subsidiaries, especially those in countries which are members of the European Union, must comply with employment regulations designed to protect hourly, part-time and full-time employees. These regulations govern working hours, wages, unfair dismissal and discrimination. Furthermore, pursuant to European Union regulation and subject to certain limitations and exceptions, in the event we are assigned a contract for food service at a site within the European Union from another contractor or from a client, we are required to hire all workers who were employed at that site and were on the previous employer's payroll to provide food services.

We have installed various internal controls and procedures designed to maintain a high level of compliance with these regulations, but we cannot assure you that we are in full compliance at all times with all applicable laws and regulations. The cost of our compliance programs is not material, but it is subject to additions to or changes in legislation, changes in regulatory implementation, changes in the interpretation of applicable regulations and sometimes subject to changes in the facilities of our clients. If we fail to comply with applicable laws in any jurisdiction in which we operate, we could be subject to civil remedies, including fines and injunctions, as well as potential

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criminal sanctions.

Marketing

In those countries in which we have significant operations, our sales teams are focused on developing particular client sectors by identifying and pursuing potential new business opportunities, analyzing and evaluating such opportunities together with our operational and financial management and developing specific contract proposals. In addition to our professionals dedicated exclusively to sales efforts, our food and support field management shares responsibility for identifying and pursuing new sales opportunities, both with the clients for which they are directly responsible and for potential clients in their geographic area of responsibility. In addition, in several of our major operating territories we also have dedicated sales retention teams. Our sales retention teams participate directly with our operational management teams in client retention, including conducting client satisfaction surveys and the review and implementation of account management procedures. We estimate that approximately 760 people are involved in sales, sales support and marketing, of which approximately 40% are located in North America.

Our marketing efforts are directed both toward increasing our business with existing clients as well as obtaining business from new clients. We regularly develop and offer innovations in products and services for our clients that allow us to grow revenues at existing locations while enhancing value provided to those clients and improving service quality to their customers or employees by tailoring new offerings to their needs. We have a specific process in each country to promote and subsequently implement innovations on a broad scale.

C. Organizational Structure

As of August 31, 2005, we had over 250 subsidiaries in 76 countries. Our operations are managed locally through these subsidiaries, although our central management is at the level of Sodexho Alliance, SA. For a list of our subsidiaries and a description of our interests in them, please see note 4 to our Consolidated Financial Statements.

D. Property, Plant and Equipment

Our principal property and equipment consists of our service equipment and fixtures, computer and office equipment, delivery vehicles and cruise vessels.

Our service equipment and fixtures include vending, commissary, janitorial, maintenance and laundry equipment used primarily in the Food and Management Services business. The vehicles comprise automobiles and delivery trucks

19

used in the Food and Management Services business and cruise vessels used in the operation of the river and harbor cruises activity. The service equipment and fixtures, computer and office equipment, delivery and other vehicles and cruise vessels had an aggregate net book value as of August 31, 2005 of (euro)203 million.

Our real estate is comprised primarily of office space in several countries, notably France, the United Kingdom and the United States, and had an aggregate net book value of approximately (euro)102 million as of August 31, 2005. No individual parcel of real estate we own is of material significance to our total assets.

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In certain circumstances, we lease office space, computer software and other equipment (primarily kitchen equipment). A discussion of our capital lease policy can be found in note 1 to our Consolidated Financial Statements.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The selected consolidated financial data as of and for the years ended August 31, 2003, 2004 and 2005 have been derived from and should be read in conjunction with the consolidated financial statements of Sodexho Alliance included elsewhere in this Annual Report on Form 20-F. The selected consolidated financial data as of and for the years ended August 31, 2001 and 2002 have been derived from consolidated financial statements that are not included in this Annual Report on Form 20-F. Our consolidated financial statements for each of the years ended August 31, 2003, 2004 and 2005 were audited by PricewaterhouseCoopers Audit.

Our consolidated financial statements have been prepared in accordance with French generally accepted accounting principles ("GAAP"), which differ in certain significant respects from U.S. GAAP. Note 5 to our consolidated financial statements describes the principal differences between French GAAP and U.S. GAAP, as they relate to us, and reconciles our net income to U.S. GAAP for each of the years ended August 31, 2003, 2004 and 2005, and our shareholders' equity to U.S. GAAP as of August 31, 2004 and 2005.

Restatement

In connection with the implementation of International Financial Reporting Standards (IFRS), which will become the Group's primary reporting GAAP effective for fiscal 2006, the Group determined that certain of the adjustments to reconcile shareholders' equity and net income from French GAAP to U.S. GAAP as previously reported as of and for the years ended August 31, 2004, 2003, 2002 and 2001, were not properly accounted for. As a result, the Group has decided to restate its previously issued reconciliations to U.S. GAAP of net income and shareholders' equity.

The errors principally pertain to (i) foreign currency translation adjustments related to goodwill and intangible assets denominated in euro in French GAAP but required to be reported in the currency of the acquired entity in U.S. GAAP; (ii) adjustments pertaining to pension and post-employment benefit plans which were determined to be incomplete and contained errors in the application of SFAS 87; and (iii) other adjustments which mainly related to the use of the effective interest method in accounting for debt issuance costs in connection with one of the Group's borrowing arrangements which resulted in a difference as compared to the straight-line method, due to the timing of the repayments. A summary of the effects of the restatement, which only affected the U.S. GAAP reconciliation, is included in note 5 to the consolidated financial statements. The most significant impacts of the restatement were a net reduction in net income of (euro)5 million for the year ended August 31, 2002 (out of previously reported net income of (euro)136 million) and a net reduction in shareholders' equity of (euro)109 million as of August 31, 2004 (out of previously reported shareholders' equity of (euro)1,652 million).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in compliance with relevant French law and in conformity with accounting principles generally accepted in the United States of America, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities, including judgments related to the selection of appropriate accounting policies as well as the appropriate application of those policies. Actual results could differ from those estimates. Our significant accounting policies are described in the notes

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to the consolidated financial statements included in this Annual Report on Form 20-F. However, we have identified a number of those accounting policies and estimates which we believe are the most significant to our business operations and to an understanding of our financial statements and related footnotes.

20

Revenue Recognition

Our revenue recognition policies are substantially the same for both French and U.S. GAAP.

In the Food and Management Services business, revenue is recognized in the period in which services are provided pursuant to the terms of the contractual relationships with clients.

Revenues for service voucher activities include commissions received from customers, which are recorded upon issuance of the vouchers to the customers; commissions received from affiliates, which are recorded upon redemption of the vouchers by the affiliates; and interest income realized on the nominal value of the vouchers during the period from their issuance through redemption (generally, one to three months).

Business Combinations and Impairment of Intangible Assets and Goodwill

Accounting policies for business combinations and impairment of intangible assets and goodwill differ between French and U.S. GAAP.

Under French GAAP, all of our business combinations are accounted for as purchases. The cost of an acquired company is assigned to the tangible and intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. Any excess of purchase price over the fair value of the tangible and intangible assets assumed, including market share, is allocated to goodwill, which is amortized over its estimated useful life. Due to the long-term nature of the Group's business, goodwill is generally amortized over thirty years (on a pro rata basis in the year of acquisition). This valuation of goodwill on a historical basis is also supported by a calculation of the current value of these assets as of August 31, 2005, as described in further detail below.

In the allocation of purchase price with respect to the acquisitions of Sodexho, Inc. (formerly, Sodexho Marriott Services, Inc.), Wood Dining Services, Sogeres, Sodexho Services Group Ltd (formerly, Gardner Merchant), Sodexho Scandinavia (formerly, Partena), and Universal Services, a portion of the difference between the cost of the shares acquired and the Group's equity in the underlying net assets of the entities acquired has been recognized as market share. This intangible asset represents the value attributed to the significant market shares held by the Group in the geographic regions specific to the acquisitions (the United Kingdom and Ireland, the United States, the Netherlands, France, Australia and Sweden).

Market share is principally determined based on an average of multiples of revenues and EBITA achieved by the acquired companies in the applicable countries as compared to unrelated recent transactions in the marketplace and is reviewed annually for impairment. Market shares are not amortized in the consolidated financial statements, and no deferred taxes are recorded on market shares. Initial allocations to market share require management to exercise judgment in the choice of unrelated transactions in the marketplace. If there is a significant diminution in the market share value for more than two consecutive

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years, as recomputed based on actual results of the applicable subsidiary as compared to the original calculation, an impairment loss is recorded.

As of August 31, 2005, the Group also performed the impairment tests on market shares and goodwill required by the Reglement du CRC no. 2002-10, issued on December 12, 2003, which defines the recoverable value of an asset as the higher of its market value or "value in use." Market value is calculated based on criteria determined at the date of the acquisition corresponding mainly to revenues and EBITA and using multiples of recent transactions. Value in use is determined using the value of future cash flows after taxes based on three year operating plans prepared by management. These plans are extrapolated to a longer period by applying a growth rate specific to the sector of activity and geographical region concerned. Cash flows are discounted using an average cost of capital. The recoverable value determined is then compared to the sum of intangible assets, other fixed assets and working capital. These impairment tests resulted in an impairment charge totaling (euro)3.5 million for the year ended August 31, 2005.

Under U.S. GAAP, all of our business combinations are accounted for as purchases. In accordance with SFAS No. 141, Business Combinations (APB 16, Business Combinations, for transactions consummated prior to June 30, 2001), the cost of an acquired company was assigned to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. In accordance with U.S. GAAP, customer relationships, trademarks, assembled workforce (for transactions consummated prior to June 30, 2001 only), and

21

software intangible assets have been identified with respect to our acquisitions. As such, for U.S. GAAP purposes, a portion of the amount allocated to market share and goodwill under French GAAP is allocated to these identified intangible assets. The remaining excess of the cost of the acquired company over the fair value of the net assets acquired is recorded as goodwill. The allocation of purchase price to intangible assets other than goodwill requires management to make estimates with respect to the fair value of those intangible assets, which fair value is largely dependent on assumptions utilized in the valuation methodology, including estimates of future cash flows and appropriate discount rates. A deferred tax liability is recorded with respect to all intangible assets except goodwill, and the amount assigned to goodwill is increased by an amount equal to the deferred tax liability recorded, if any.

For U.S. GAAP purposes, we adopted SFAS No. 142, Goodwill and Other Intangible Assets, which required us to reclassify (into goodwill) the carrying value of assembled workforce intangibles and those customer relationship intangibles which did not meet the criteria of SFAS 141 for recognition apart from goodwill. None of the identifiable intangible assets recognized apart from goodwill are considered to have indefinite lives. In accordance with SFAS 142, we do not amortize goodwill. All other intangible assets, including customer contracts, trademarks and software, are amortized over their estimated useful lives.

SFAS 142 also requires us to evaluate our goodwill (and identifiable intangible assets with indefinite lives, if any) for impairment at least annually and more frequently if specific events indicate that an impairment in value may have occurred. This evaluation requires management to make assumptions with respect to the identification of its reporting units as well as the estimates of future cash flows and appropriate discount rates, in order to determine the fair value of the reporting units so identified. Under U.S. GAAP,

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there was no impairment charge as of August 31, 2005.

SFAS 144 (SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of through fiscal 2003) requires that we review our identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable (a "triggering event"). The review for recoverability requires us to estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the asset, an impairment loss may be recognized, which is measured based on the fair value of the asset. Management is required to exercise judgment in the determination of whether a triggering event has occurred as well as in the development of the assumptions used to estimate future cash flows and determine fair value, as needed.

Provisions for contingencies and losses

Under French GAAP, provisions for contingencies and losses may be recognized when there is a possibility of loss and prudence is an important, although not the only, consideration. In general, provisions for risks and charges represents liabilities which have not been settled, or for which the settlement amount or other pertinent information is unknown, as of the balance sheet date. Such amounts are reflected as charges in the income statement in the period in which they are provisioned.

Under U.S. GAAP, provisions for contingencies and losses (contingent liabilities) are recognized for specific existing risks when the related loss is both probable and estimable and, in certain specific situations such as business combinations and restructurings, when certain additional criteria are met. If a loss is determined to have been incurred and management is able to reasonably estimate the amount of the loss, an amount must be accrued for the loss. Where the amount of the probable loss is determined within a range of possible outcomes and no single amount within the range is considered to be a better estimate than any other amount within the range, that amount is accrued. However, when no amount within the range is considered to be a better estimate than any other amount, the minimum amount in the range is required to be accrued.

Under both French and U.S. GAAP, the recording of provisions requires management to exercise significant judgment in determining the timing of recognition and amount of recorded provisions.

Actuarially-Determined Liabilities

Included in other liabilities are liabilities established using actuarial methods, notably for pensions and postretirement benefits in some of our subsidiaries located in Europe. In French GAAP, there are no specific requirements pertaining to accounting for pension and post-retirement benefits. For subsidiaries principally located in the United Kingdom and the Netherlands (effective September 1, 2004) and in France, the projected unit credit

valuation method is used to evaluate the pension and post-retirement liabilities under French GAAP. Under U.S. GAAP, pension and post-retirement benefits are accounted for using the methodologies prescribed by SFAS 87 and SFAS 106, respectively. Both the projected unit credit valuation method and the methodologies prescribed by SFAS 87 and SFAS 106, which are substantially similar, require the use of actuarial assumptions, including the discount rate,

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the rate of compensation increase and expected long-term rate of return on plan assets. These assumptions are determined by management and require management to exercise considerable judgment.

Also included in other liabilities are liabilities for workers' compensation, principally in the United States. These liabilities are estimated using actuarial methods for both French and U.S. GAAP based on assumptions made by management with respect to the expected development of known and incurred but not reported claims.

Derivative Financial Instruments

Under French GAAP, our derivative financial instruments, which consist primarily of interest rate and cross-currency swap agreements on debt instruments, are considered to hedge the underlying debt. Any interest rate differential is recognized as an adjustment to interest expense over the term of the related underlying debt. For swaps negotiated on inter-company debt, the difference between the amount of the debt at the period end rates and the swapped rates is recorded as debt. Where the hedge is of a net investment in a foreign subsidiary, the resulting foreign currency translation difference is recorded in the currency translation adjustment account in shareholders equity.

Under U.S. GAAP, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, requires all derivative instruments to be recorded on the balance sheet at their fair value. Changes in fair value are recorded currently in earnings unless the item is designated, qualifies, and is effective as a hedge. Fair value is defined as the amount that would be paid or received to terminate the derivative instrument at the balance sheet date. Changes in the fair value of derivatives designated as part of a hedge transaction are recorded each period in current earnings or other comprehensive income, depending on the type of hedge transaction. For cash flow hedge transactions in which we are hedging the variability of cash flows related to a variable rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument is reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income are reclassified to earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recognized in current period earnings. For certain derivative financial instruments, as permitted by SFAS 133 and as described below, we have elected not to prepare the documentation required by SFAS 133 in order to meet hedge accounting criteria. Had we met and appropriately documented the hedge accounting criteria required by the standard, reported earnings under U.S. GAAP might have been different in each of the periods presented.

Under U.S. GAAP, we have accounted for all of our derivative financial instruments (other than those of Sodexho, Inc., as described below), which consist primarily of interest rate and cross-currency swap agreements, both prior and subsequent to the adoption of SFAS No. 133 at fair value with changes in fair value of instruments recognized currently in earnings. The aggregate adjustment reflected in the reconciliation of consolidated shareholders' equity and consolidated net income (loss) to U.S. GAAP as of and for the years ended August 31, 2005, 2004 and 2003 for "Derivative financial instruments" is attributable entirely to derivative financial instruments accounted for at fair value. The fair value of our derivative financial instruments is generally obtained from third party financial institutions.

Under U.S. GAAP, Sodexho, Inc.'s interest rate agreements have been designated as cash flow hedges in accordance with SFAS No. 133. As of August 31, 2005 and 2004, and for each of the three fiscal years in the period ended August 31, 2005, these cash flow hedges were determined to be effective hedges and, accordingly, changes in their fair value are reflected in the statement of

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comprehensive income (recorded directly in shareholders' equity).

Currency Translation

For subsidiaries located in foreign countries, assets and liabilities are translated using the end of period exchange rate. Income statement and cash flow statement line items are translated using the average exchange rate for the year, calculated using monthly averages. Exchange rates used are obtained from the Bourse de Paris and other international financial markets. The difference between the translation of the income statement at average and period end rates, as well as the difference between the opening balance sheet accounts as translated at beginning and end of period rates is

23

recorded in shareholders' equity, except with respect to countries considered highly inflationary, where this difference is included in net financial expense. Foreign exchange gains and losses resulting from intragroup transactions in foreign currencies during the year are recorded in the income statement.

Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, "Inventory Costs--An Amendment of ARB No. 43, Chapter 4." The provisions of SFAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005, and are not expected to have a material effect on the Group's financial statements.

In December 2004, the FASB issued SFAS No. 123R, which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation," which also supersedes APB Opinion No. 25, "Accounting for Stock Issued to its Employees," and its related implementation guidance. This Statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, and recognize the cost over the period during which an employee is required to provide service in exchange for the award--the requisite service period. This Statement is effective for annual reporting periods beginning after June 15, 2005, and applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. The Group is currently evaluating the provisions of this Statement. Adoption of the Statement as of the beginning of fiscal 2006 using the modified prospective transition method will result in a reduction of reported earnings.

On March 30, 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," which clarifies the term "conditional asset retirement obligation" as used in FASB Statement No. 143. The Interpretation is effective for Sodexho no later than the end of fiscal 2006. The Group is currently evaluating the Interpretation, but has not yet determined what effect adoption will have on the consolidated financial statements.

International Financial Reporting Standards

To comply with European regulations, the Group will prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) effective for the 2006 fiscal year, which commenced on September 1, 2005. These financial statements will include comparatives as of and for the year ended August 31, 2005.

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Further information regarding the principal impacts of IFRS is disclosed on page 137 of our Reference Document (Annual Report) available at www.sodexo.com.

BALANCE SHEET AND INCOME STATEMENT DATA

Our consolidated financial statements and the selected financial data presented below are reported in euro.

	As of and for the year ended August 31				
	2005	2005	2004	2003	2002
	U.S.\$ (3)	(euro) (4)	(euro)	(euro) (4) (5)	(euro) (6)
(in millions, except per-share amounts)					
Income Statement Data					
French GAAP amounts					
Revenues.....	14,238	11,672	11,494	11,687	12,000
Earnings before interest, exceptional items, income taxes, income from equity method investees, goodwill amortization and minority interests (EBITA).....	646	530	515	514	514
Financial expense, net.....	(126)	(103)	(118)	(152)	(152)
Minority interests in net income of consolidated subsidiaries.....	(12)	(10)	(14)	(9)	(9)
Net income.....	194	159	183	162	162
Earnings per share (basic).....	1.22	1.00	1.15	1.02	1.02
Earnings per share (diluted).....	1.22	1.00	1.15	1.00	1.00
Dividends per share.....	0.91	0.75	0.70	0.61	0.61

24

	As of and for the year ended August 31				
	2005	2005	2004	2003	2002
	U.S.\$ (3)	(euro) (4)	(euro)	(euro) (4) (5)	(euro) (6)
Balance Sheet Data					
French GAAP amounts					
Intangible assets, including acquisition goodwill.....	4,652	3,814	3,913	4,178	4,178
Tangible fixed assets, including non-working capital, financial investments and other assets.....	737	604	570	614	614
Working capital (1).....	(2,074)	(1,700)	(1,341)	(1,260)	(1,260)
Cash and cash equivalents (2).....	1,666	1,366	1,209	1,278	1,278
Total assets.....	9,708	7,959	7,647	8,108	8,108
Total borrowings.....	2,366	1,940	2,128	2,488	2,488
Provisions for contingencies and losses.....	210	172	93	89	89
Minority interests.....	24	20	25	67	67
Total shareholders' equity.....	2,606	2,136	2,192	2,249	2,249

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U.S. GAAP amounts			Restated(6)	Restated(6)	Rest
Revenues.....	14,249	11,681	11,502	11,690	12
Operating income.....	444	364	386	404	
Net income (loss).....	188	154	169	148	
Earnings (loss) per share (basic).....	1.21	0.99	1.08	0.95	
Earnings (loss) per share (diluted).....	1.21	0.99	1.08	0.95	
Total assets.....	9,310	7,632	7,393	8,028	8
Total shareholders' equity.....	1,935	1,586	1,542	1,645	1

- (1) Working capital is calculated as the net of an asset component (current assets, loans receivable and deposits and other and prepaid expenses less cash, cash equivalents and restricted cash) and a liability component (accounts payable, vouchers payable and other liabilities).
- (2) Cash and cash equivalents includes restricted cash. See note 1 to our consolidated financial statements for an explanation of restricted cash.
- (3) The consolidated financial statements are prepared and presented in euro. The U.S. dollar amounts presented in the table above have been translated solely for the convenience of the reader using the August 31, 2005 2 p.m. ECB time rate quoted by the European Central Bank of \$1 = (euro)0.8198.
- (4) See Note 1 to the consolidated financial statements for a discussion of the impact of changes in accounting principles relating to accounting for retirement and other employee benefit plans under French GAAP.
- (5) Certain amounts for the years ended August 31, 2002 and 2001 differ from the corresponding amounts for the same periods reported in the Company's Document de Reference filed with the Commission des Operations en Bourse (now known as the AMF).
- (6) In connection with the implementation of International Financial Reporting Standards (IFRS), which will become the Group's primary reporting GAAP effective for fiscal 2006, the Group determined that certain of the adjustments to reconcile shareholders' equity and net income from French GAAP to U.S. GAAP as previously reported as of and for the years ended August 31, 2004, 2003, 2002 and 2001, were not properly accounted for. As a result, the Group has decided to restate its previously issued U.S. GAAP information. The errors principally pertained to the foreign currency translation adjustments related to goodwill and intangible assets denominated in euro in French GAAP but required to be reported in the currency of the acquired entity in U.S. GAAP. For the years ended August 31, 2004, 2003, 2002 and 2001, the effect of the errors on operating income was (euro)2 million, (euro)4 million, (euro)1 million and (euro)2 million, respectively, and on net income the effect was (euro)0 million, (euro)1 million, (euro)5 million and (euro)2 million, respectively. As of August 31, 2004, 2003, 2002 and 2001, the effect on total assets was (euro)79 million, (euro)61 million, (euro)68 million and (euro)40 million, respectively, and the effect on shareholders' equity was (euro)109 million, (euro)91 million, (euro)98 million and (euro)58 million, respectively. Refer to note 5 to our consolidated financial statements for additional information.

A. Operating Results

The balance sheets of subsidiaries located outside of the euro zone that operate in a non-hyperinflationary currency environment are translated into euro using exchange rates in effect at the balance sheet dates. The income statements of these subsidiaries are translated at average exchange rates for the period. The difference between the translation of the income statement at average and period end rates, as well as the difference between the opening balance sheet account as translated at beginning and end of period rates, are recorded in shareholders' equity. Transactions in foreign currencies are translated using the exchange rate in effect at the time of the transaction and the related

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impact is reflected in the income statement.

We have no significant operations in countries with highly inflationary economies.

Subject to certain de minimis exceptions discussed below, entities managed by us, including entities in which we own at least 40% equity interest and are the single largest shareholder, are fully consolidated. Fully consolidated subsidiaries that have a year-end that is different from our year-end prepare balance sheets as of August 31 for consolidation purposes. The foregoing conditions notwithstanding, subsidiaries with (i) annual revenues of less than (euro)2 million, (ii) annual profits or losses of less than (euro)0.1 million and (iii) net assets of less than (euro)2 million, are excluded from the consolidation. Entities not meeting any of the foregoing conditions, but over which we are able to exercise significant influence, are consolidated using the equity method of accounting.

25

The Group reports two principal operating segments, which are Food and Management Services and Services Vouchers and Cards. The Food and Management Services business is further segmented into four geographic regions. The Group reports the following principal and secondary segments:

Food and Management Services

- o North America
- o United Kingdom and Ireland
- o Continental Europe
- o Rest of the World

Service Vouchers and Cards

Overview

Food and Management Services is our most significant activity, and accounted for approximately 98% of our revenues and 86% of EBITA (before corporate expenses) for the fiscal year ended August 31, 2005. Approximately 44% of our fiscal 2005 revenues in the Food and Management Services business were generated in North America. The Service Vouchers and Cards business comprised 2% of our revenues and 14% of EBITA (before corporate expenses) in fiscal 2005.

Fiscal Year Ended August 31, 2005 Compared with Fiscal Year Ended August 31, 2004

Consolidated Overview of Revenues and EBITA

Revenues for fiscal 2005 totaled (euro)11.7 billion, a 1.5% increase from fiscal 2004. Organic growth of 4.3% was offset by the unfavorable impact of foreign currency translation of 2.4%, principally arising on revenues denominated in U.S. dollars or reliant on the U.S. dollar exchange rate. The currency effect resulted principally from the 5.3% increase in the average rates for the euro as compared to the U.S. dollar. The impact of acquisitions (net of divestitures) was a negative 0.4%. Organic growth continued to be hampered by the worldwide economic situation, which weighed on the Business and Industry segment of our Food and Management Services business. We expect our organic

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growth rate in fiscal 2006 to be comparable to that in fiscal 2005 on a consolidated basis.

EBITA was (euro)530 million in fiscal 2005 as compared to (euro)515 million in fiscal 2004, an increase of 2.9%. However, at constant exchange rates, EBITA increased by 5%. The operating margin improved moderately to 4.54%. The improvement in EBITA was achieved after substantial investment in sales and in the Clients for Life(R) client retention program. The main growth drivers were solid performance in Continental Europe and in the Service Vouchers and Cards activity. By contrast, performance in North America was disappointing, largely related to the U.S. Marine Corps contract as discussed in more detail below.

Analysis of Revenues and EBITA

The following table presents, for the periods stated, the variation in revenues and EBITA by activity. Certain amounts have been reclassified in order to conform the prior year presentation to the current year.

26

	Fiscal Year Ended August 31,		Change
Revenues by Activity	2005	2004	(euro)
	(in millions of euro, except percenta		
Food and Management Services			
North America.....	5,006	5,031	(25)
Continental Europe.....	3,919	3,760	159
United Kingdom and Ireland.....	1,303	1,351	(48)
Rest of the World.....	1,164	1,106	58
	-----	-----	-----
Total.....	11,392	11,248	144
Service Vouchers and Cards.....	280	246	34
	-----	-----	-----
Total revenues.....	11,672	11,494	178
	=====	=====	=====
	Fiscal Year Ended August 31,		Change
EBITA by Activity	2005	2004	(euro)
	(in millions of euro, except percenta		
Food and Management Services			
North America.....	222	239	(17)
Continental Europe.....	203	171	32
United Kingdom and Ireland.....	27	28	(1)
Rest of the World.....	37	37	-
	-----	-----	-----
Total.....	489	475	14
Service Vouchers and Cards.....	82	68	14
	-----	-----	-----
EBITA, excluding corporate expenses.....	571	543	28
Corporate expenses.....	(41)	(28)	(13)
	-----	-----	-----
Total EBITA.....	530	515	15
	=====	=====	=====

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Food and Management Services

The Food and Management Services business accounted for 98% of consolidated revenues and 86% of consolidated EBITA before corporate expenses. Revenues reached (euro)11,392 million. Organic revenue growth in Food and Management Services was driven by a strong performance in Healthcare (up 6.2%), especially in North America. Revenues in the Education segment rose by 4.5% as a result of favorable conditions in the North American university market, while in Europe, Sodexho took a more selective approach to growth. The Business and Industry segment posted a 2.8% increase in revenues. In the rest of the world, growth was strong in Asia and Latin America, and in Remote Sites.

North America

North American revenues reached (euro)5 billion, with organic growth of 4.4%.

Business and Industry revenues were slightly lower in fiscal 2005 than in the prior year, despite the development of new food service offerings at existing sites and new contracts. Lower patronage at military bases in the United States and protracted negotiations with the US Marine Corps also affected the fiscal 2005 performance. The robust organic growth of 7.3% achieved in the Healthcare segment reflected expanded service offerings to clients and end customers at our existing sites, and a highly effective sales effort. The Education segment, driven largely by the university market, also performed well, lifting revenues by 5.8%. New clients during fiscal 2005 included the New York City Health and Hospital Corporation, the Memorial Hermann System (Texas), Verizon Wireless, General Electric in a number of states, St. John's University in New York, and the Philadelphia municipal school system.

27

EBITA was (euro)222 million, while EBITA margin slipped to 4.4% from the prior-year figure of 4.8%. The first positive effects of the rollout of new tools for managing menu and staff costs were seen in the Education segment, and retail food service offerings helped margins in the Business and Industry segment. However, two items weighed on performance: first, doubtful debt provisions recorded in the last months of the year against receivables in the Healthcare segment and second, poor profit performance with the U.S. Marine Corps contract; as is common in federal contracts of this nature, certain modifications to the level and scope of services are taking time to review and discuss.

Continental Europe

In Continental Europe, revenues reached (euro)3.9 billion, with organic growth of 4%. In the Business and Industry segment, revenue growth was driven by rapid advances in central Europe, Germany and Spain. Most of this improvement was due to new business, such as a multiservice contract for 63 Citibank sites in Hungary and contracts with Russian Aluminum in Russia and Torre Agbar in Spain. At the end of fiscal 2005, Sodexho provided catering for the World Youth Days in Germany. In other European countries, revenue growth was checked by a decline in the number of customers as some of our clients carried out headcount reductions. The Group accelerated its penetration of the Healthcare and Seniors segments, while retaining a targeted approach. Successful tenders included the Public Assistance hospitals in Paris, the Sagessa Group in Spain and the Ebel clinics in Germany. In Education, the growth rate reflected a selective approach

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to the public sector. New clients included public schools in Milan (Italy), Linköping (Sweden) and Kecskemet (Hungary), as well as the universities of Liege and Turin.

EBITA increased by 19% at (euro)203 million, notably following productivity gains in most countries, especially France, both at site level and in overhead. Approximately half of the increase in EBITA resulted from the costly reorganization of our Meals Delivery service in the French Education segment, which negatively affected EBITA in fiscal 2004. EBITA margin increased sharply to 5.2%, compared with 4.5% in the prior year.

United Kingdom and Ireland

Revenues in the U.K. and Ireland amounted to (euro)1.3 billion. At constant consolidation scope and exchange rates, revenues decreased by only 2.6%, much less than the decline recorded in fiscal 2004 and better than anticipated at the beginning of the year. There were three main reasons for this performance:

- o Sodexho was able to expand its range of outsourced services in the Defense, Correctional Services and Healthcare segments, all of which have a high multiservice component.
- o The client retention rate improved following the rollout of the Clients for Life(R) program.
- o The latter part of fiscal 2005 saw a high level of major hospitality events, especially the successful relocation of the Ascot race meeting to York.

New business won in fiscal 2005 included a Private Finance Initiative multiservice contract with the Royal Manchester Infirmary, a food service contract for the Foreign & Commonwealth Office and another for the Capio Group in Healthcare.

EBITA was (euro)27 million, and the EBITA margin was 2.1%. The measures initiated more than two years ago are continuing to bear fruit, with a turnaround in subsidiary profitability, as illustrated by a 0.6% improvement in gross margins during the fiscal year. This improvement in gross margins permitted a reinvestment in client retention initiatives, offer development and in more rigorous site management.

Philip Jansen took over as Chief Executive in October 2004, and is implementing an action plan with the following objectives:

- o building the momentum of growth by generating extra revenues from existing sites and winning new clients, in both food and other services;
- o reinforcing site management procedures;

28

- o exercising effective cost control at all levels.

Philip Jansen and his team are all focused on their number one priority: bringing the EBITA margin back to levels achieved in the rest of the Group.

Rest of the World

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In the rest of the world, revenues reached (euro)1.2 billion, with organic growth of 10.4%. Excluding the effect of the Rugby World Cup in fiscal 2004, organic growth reached 15.6%. Sodexho posted double-digit growth in Latin America and Asia, and in Remote Sites.

In Latin America, economic conditions were more favorable, and our motivated and highly-skilled team was able to expand the business significantly, with organic growth accelerating in both food and other services. Many of our successes were in the mining industry, including the Las Bambas copper mine for Xstrata in Peru and five mines for Companhia Vale do Rio Doce in Brazil.

In mainland China, we continued to record strong growth across all segments. New contracts included Hitachi, Guangzhou Mak Diesel Engine, UPM Kymmene, Bridgestone and Lee Shau Kee Middle School. The Australian subsidiary reported significant advances both in multiservice, with clients such as Kagara Zinc, Masterfoods, Barrick Gold and Aker Kverner, and in the Seniors segment, as demonstrated by the recently-signed contract with Uniting Care.

The Remote Sites activity achieved impressive growth, signing contracts with clients such as Noble (Gulf of Mexico), Shell (Sakhalin Islands), and Trinity International (North Sea), and also securing all of the contracts for seismic exploration activities in Saudi Arabia.

EBITA was (euro)37 million, or an EBITA margin of 3.2%. An upturn in drilling activities favored the Remote Sites activity, which posted improved profits from the start-up of new multiservice contracts, a reorganization of North African operations and tight control of overheads. In Latin America, good growth and rigorous control over contractual terms led to an improvement in EBITA. However, the profitability of other activities in the Asia/Australasia region suffered from a lower level of major events at the Sydney stadium, and was also affected by ongoing investment in development and human resources in China and India.

Service Vouchers and Cards

Sodexho Pass, which now has operations in 27 countries, posted revenues of (euro)280 million. Organic growth was sharply higher at 13.2%, boosted by issue volume (face value of vouchers and cards multiplied by the number of vouchers and cards issued) of (euro)5.3 billion, a rise of 8.9% at constant exchange rates and consolidation scope. This performance reflects commercial successes in Sodexho's established services: Meal Pass, Food Pass and Gift Pass. In Latin America, Central Europe and Asia, Sodexho Pass demonstrated the benefits of its solutions as a staff motivation and retention tool to a number of new corporate clients, in industries such as pharmaceuticals (Bristol-Myers Squibb, Abbot), beauty (Avon, L'Oreal), consumer goods (Procter & Gamble, Stanhome, Coca Cola) and mining (Mining Holding Kompania Waglowa).

Growth was also enhanced by the rollout of new assistance services such as the Vacation Pass, Creche Pass and Culture Pass. Tetra Pak, the city of Shanghai, AGF, the Metropolitan Police Authority and Kraft Foods have all chosen Sodexho Pass as their partner.

EBITA advanced by 20.9% to (euro)82 million, reflecting not only revenue growth but also favorable trends in interest rates. EBITA margin was 29.4%, or approximately 1.5% of issue volume.

Corporate Expenses

Corporate expenses amounted to (euro)41 million. During fiscal 2005, in addition to making organizational changes, Sodexho invested in training initiatives, the Sodexho School of Management, client retention, and strengthening the procurement function. Also included in corporate expenses are

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the cost of the IFRS transition project and the "CLEAR" Project to refine risk assessment and management.

29

Financial Expense, Net

The Group reported net financial expense of (euro)103 million, compared with (euro)118 million for fiscal 2004, mainly due to lower interest charges as a result of debt reduction. Interest cover (the ratio of EBITA to net interest expense) improved sharply to 5.5 times.

Net Exceptional Income/Expense

Net exceptional expense totaled (euro)95 million in fiscal 2005 and is principally comprised of the following elements: (euro)62 million for the resolution of the class action litigation in the U.S.; (euro)10 million for restructuring of our U.K. operations, including rationalization of administrative headquarters and headcount reductions; (euro)7 million of provisions related to stock option plans; and (euro)5 million of provisions for various legal disputes.

Income Taxes

Income tax expense was (euro)103 million, representing an effective tax rate of 31%. The reduced level of income tax expense was mainly due to favorable outcomes to a number of tax exposures and to the utilization of prior period tax losses to previous periods.

Net Income from Equity Method Investees

Net income from equity method investees was (euro)0 million, as compared to (euro)1 million in the prior year.

Minority Interests

Minority interests decreased from (euro)14 million in fiscal 2004 to (euro)10 million in fiscal 2005.

Goodwill Amortization

Goodwill amortization was stable at (euro)60 million and (euro)59 million in fiscal 2004 and 2005, respectively.

Fiscal Year Ended August 31, 2004 Compared with Fiscal Year Ended August 31, 2003

Consolidated Overview of Revenues and EBITA

Revenues for fiscal 2004 totaled (euro)11.494 billion, a 1.6% decrease from fiscal 2003. Organic growth of 4.1% was offset by the unfavorable impact of foreign currency translation of 5.8 %, principally arising on revenues denominated in U.S. dollars or reliant on the U.S. dollar exchange rate. The currency effect resulted principally from the 11.3% increase in the euro against the U.S. dollar. The impact of acquisitions (net of divestitures) was 0.1%. Organic growth continued to be hampered by the worldwide economic situation, which weighed on the Business and Industry segment of our Food and Management Services business. We expect our organic growth rate in fiscal 2005 to be comparable to that in fiscal 2004 on a consolidated basis.

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EBITA was (euro)515 million in fiscal 2004 consistent with (euro) 514 million in fiscal 2003. However, at constant exchange rates, EBITA increased by 7.2%. The operating margin improved moderately to 4.5% as a result of the initial favorable effects of our action plans in the United Kingdom and an improved performance in Latin America, Asia Australia, remote sites and Service Vouchers and Cards.

Analysis of Revenues and EBITA

The following table presents, for the periods stated, the variation in revenues and EBITA by activity.

30

	Fiscal Year Ended August 31,		Change in Re
Revenues by Activity	2004	2003	(euro)
	(in millions of euro, except percenta		
Food and Management Services			
North America.....	5,031	5,427	(396)
Continental Europe.....	3,760	3,585	175
United Kingdom and Ireland.....	1,351	1,453	(102)
Rest of the World.....	1,106	974	129
	-----	-----	-----
Total.....	11,248	11,439	(194)
Service Vouchers and Cards.....	246	248	1
	-----	-----	-----
Total revenues.....	11,494	11,687	(193)
	=====	=====	=====
	Fiscal Year Ended August 31,		Change in E
EBITA by Activity	2004	2003	(euro)
	(in millions of euro, except percenta		
Food and Management Services			
North America.....	239	268	(29)
Continental Europe.....	171	167	4
United Kingdom and Ireland.....	28	21	7
Rest of the World.....	37	18	19
	-----	-----	-----
Total.....	475	474	1
Service Vouchers and Cards.....	68	68	-
	-----	-----	-----
EBITA, excluding corporate expenses.....	543	542	1
Corporate expenses.....	(28)	(28)	-
	-----	-----	-----
Total EBITA.....	515	514	1
	=====	=====	=====

Food and Management Services

Food and Management Services represented 98% of our consolidated revenues and 87.5 % of our consolidated EBITA before corporate expenses. Our revenues

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from this segment totaled (euro)11.2 billion in fiscal 2004, reflecting organic growth of 4.0%, which was an improvement over prior year organic growth of 2.9%. The strengthening of the euro during the year resulted in a negative foreign currency exchange impact of 5.9%.

North America

In North America, revenues totaled (euro)5.0 billion, with organic growth of 3.7%.

In the Business and Industry segment, the economic recovery has not been accompanied by an increase in hiring by the large companies which are our clients. The Business and Industry segment reported a decline in revenues of 0.6% from those of the prior fiscal year. In this segment, some of the growth in sales on existing sites which resulted from the innovative service offerings developed by our teams, was offset by site closings. We estimate this had a negative impact on growth of approximately 3%. New clients included Conoco Philips, Honda, Novartis Research Center, Harley Davidson, Defence Supply Center, World Bank Conference Center, Equiserve, Office Depot and America Online, Inc.

The Defense sub-segment benefited from an additional month of activity as compared to the prior fiscal year on the 55 U.S. Marine Corps sites, with an increase of 6.6%. From the beginning, this contract has required our teams to be flexible and to adapt to the everchanging needs of our clients.

In the Education segment, client retention as well as strong sales growth on existing sites translated into strong organic growth in revenues of 6%. The dynamism of our teams in the public school sub-segment and their ability to cross-sell, resulted in the start-up of new contracts and services such as the Public School Systems of Atlanta, St. Louis and Lincoln, Oregon. In the higher education sub-segment, new sales with an annual value of (euro)80 million included such

31

colleges and universities as the University of Concordia, the University of Tulsa, Emory University, Arizona State University and South Carolina State University.

In Healthcare, the rate of organic growth increased year over year to 4.3% notably due to strong performances on existing sites. Among our new foodservice clients are Delray Medical Center and Morris View Nursing Home. New multi-service clients include St. Anthony Medical Center, Sequoia Portola Valley, University of Virginia Health System and St. Vincent Hospital and Health Center and Hemet Valley. In Canada, Sodexho signed the country's two largest public healthcare contracts with Vancouver Coastal Health and Providence Health Care and Fraser Health Authority.

In North America, EBITA totaled (euro)239 million, a level comparable to that of the prior fiscal year, excluding currency effects. In all segments, significant gains in productivity were made as a result of procurement improvements and containment of labor and overhead costs which more than compensated for the inflationary pressures on costs associated with workers compensation and unemployment taxes. Timing delays in contract variation discussions with the U.S. Marines resulted in a disappointing contribution of the Defense sub-segment to North American performance. This explains the slight decline in the EBITA margin in North America, which was 4.8% as compared to 4.9% for fiscal 2003.

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Continental Europe

Revenues totaled (euro)3.8 billion. Organic growth showed a net improvement, 4.7% as compared with 3.6% in fiscal 2003.

In the Business and Industry segment, organic growth totaled 4.3%. There was accelerated growth with the opening of contracts such as Alcatel Space, La Redoute and Generali in France, the start up of Wal-Mart in Germany, and in Spain with new clients such as the Cultural Forum in Barcelona and the Endesa Group. On the other hand, a difficult economic environment hindered our growth in Sweden and the Netherlands.

In the Education segment, our offer, which is based on an expertise in balanced diets and nutritional education, and the strong sales drive of our teams, contributed to growth which totaled 7.5%. Among our new clients are the schools of the cities of Budapest, Versailles, Cannes and Frankfurt, as well as the University of Liege and the University of Utrecht.

A selective approach in Healthcare contributed to our growth rate in revenues of only 3.5%. The start-up of a multiservice contract for all senior residences and schools for the city of Gavle in Sweden at the end of fiscal 2004 as well as the recent signature of contracts with the Public Hospitals in Paris, the University Hospital of Rennes, and the Military Hospital of Warsaw are expected to contribute to the growth of this segment in fiscal 2005.

EBITA totaled (euro)171 million and the EBITA margin was 4.5% as compared to 4.7% for fiscal 2003. Most countries realized productivity gains, at both the site and overhead levels. However, two factors weighed on performance: a bad debt provision for a significant client in Italy; and difficulties encountered in the meal delivery activity in the Education segment in the Paris region and expenses relating to the resulting reorganization.

United Kingdom and Ireland

Revenues totaled (euro)1.4 billion, a decrease of 5.6% from fiscal 2003, excluding currency effects.

It was principally the Business and Industry segment that affected the change in revenues, explained for the most part by our exit from the hotels sub-segment and by a retention rate that remains too weak. In the Healthcare and Education segments, we began to see a slight improvement in revenues on existing sites at the end of fiscal 2004.

Our focus on restoring the profitability of this subsidiary was nonetheless accompanied by commercial successes such as Dell in Ireland, British Aerospace, HBOS, and in multiservices, the Havering, Roehampton and Stoke Mandeville Hospitals and the Colchester Garrison in the United Kingdom.

EBITA totaled (euro)28 million with an EBITA margin of 2.1%, compared with 1.4% in fiscal 2003. This improvement does not include (euro)6 million in EBITA achieved by our U.K.teams in connection with a hospitality contract for the Rugby World Cup in Australia, which is included in the Rest of the World activity. Including this amount, EBITA

margin totaled 2.4%, in line with our objectives. During the fiscal year, operational performance improved in a majority of the segments, but was

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partially offset by an increase in pension costs and the non-recurrence of certain prior year short-term contracts in the Defense sub-segment. As a result of improved controls over food and labor costs at each site, and the decision to exit non-profitable contracts, gross profit (an indicator of operational performance at the site level) improved by nearly 1%. Simultaneously, overhead costs were reduced. Costs pertaining to the consolidation of certain properties, the reorganization of certain support functions and staff reductions are included in exceptional expenses.

The team in the U.K. and Ireland has been reinforced by the hiring of new managing directors for the Healthcare and Prestige Divisions, a new Chief Financial Officer and a General Counsel. These external hires were complemented by internal promotions within the U.K. and from other countries in the Group. Philip Jansen, the new Chief Executive arrived in October 2004. He and his team are focused on their absolute priority - returning the subsidiary to an EBITA margin similar to that of other Group companies within three years.

Rest of the World

In the Rest of the World, revenues totaled (euro)1.1 billion, with organic growth of 17.7%. The entire zone experienced strong sales growth, and excluding the revenues generated by the hospitality contract for the Rugby World Cup, organic growth was 12.7%.

In Latin America, in a less troubled environment, motivated and competent teams experienced good sales development and organic growth increased, as much in food as in other services. In addition, there were a number of sales successes in the mining segment such as Codelco in Chile, Barrick Alto in Peru and SNC Lavalin in Venezuela. Adapting our offer allowed us to boost growth in Brazil with the addition of new clients such as Cosan, Siemens and Anglo-American. Elsewhere, multiservices activity developed in Colombia and Chile.

In China, we continue to experience strong growth across all segments with contracts such as Jiangsu Fujitsu, Saint Gobain Abrasive, Shanghai Research Petrochemical Institute, Shanghai Matsushita and Bridgestone in the Business and Industry segment, the International School of Shanghai and in Healthcare, the Public Hospital Nan Xiang. During the fiscal year, in connection with our food service activity we began a partnership with the Shanghai Automotive Industry Corporation. In Australia, growth continues, notably within our Universal Sodexho subsidiary. A highlight of the fiscal year was the Rugby World Cup which was a great success, based equally on the strength of our sales and our operating teams. Finally, a contract with the Samitiveg Hospital of Bangkok marked the opening of our business in Thailand.

The Remote Site activity recorded strong growth. New contracts include Chyoda and Chayvo in Eurasia, Shell Rabi in Gabon, the residential complex Al Khor of Qatargas, a copper mine in Laos for Bateman Ausenco, and a three year contract signed with the Maersk Group in the North Sea. In addition our teams experienced good development in revenues on existing sites particularly in North America and the Middle East.

Overall, EBITA in the Rest of the World doubled from the previous year and totaled (euro)37 million. The EBITA margin increased from 1.9% for fiscal 2003 to 3.4% in fiscal 2004. This improvement reflects the strong dynamism of these regions and the teams' efforts to control costs, notwithstanding additional investment in development.

Service Vouchers and Cards

Located in 26 countries, Sodexho Pass reported (euro)249 million in revenues and issue volume (face value of service vouchers and cards multiplied

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by the number of service vouchers and cards) of (euro)4.8 billion. Organic growth in revenues, excluding currency effects and at a constant consolidation scope was 6.6% and issue volume increased by 11.2% over fiscal 2003. There are three main factors that explain the modest growth in revenues: the general decline in interest rates; the reduction in headcount in companies, particularly in Germany; and the effect of a one-time billing during fiscal 2003 in connection with the transfer from paper vouchers to electronic cards for one of our clients in Great Britain.

New clients include Adecco, La Poste and RTL in France, Philip Morris and Unilever in Hungary, the Aldi Group in Belgium, Carlsberg in Bulgaria, Thomson in Mexico and British Telecom in India. New services offered to our clients have contributed to our growth, as evidenced by our recent joint venture with Belgacom to launch the internet

33

voucher Surf@Home by Sodexho by Sodexho in Belgium, designed to facilitate at-home high speed internet access for our clients' employees.

EBITA totaled (euro)68 million, equivalent to the prior fiscal year, but was an increase of 6.6% at constant exchange rates. During fiscal 2004, our teams successfully converted from paper to electronic cards notably in Turkey and in Brazil, while at the same time maintaining our economic model. The decrease in EBITA margin from 27.5% to 27.3% since fiscal 2003 is principally related to the decrease in interest rates on the funds generated by our operations.

Corporate Expenses

Corporate expenses, which are included in EBITA, were (euro) 28 million in fiscal 2004, a decrease of 0.5% from the prior year.

Financial Expense, Net

Net financial expense totaled (euro)118 million as compared to (euro)152 million in the prior year. The improvement resulted in part from lower interest expense due to the reduction in debt, exchange rate variances, and the impact of refinancing certain lines of credit at variable interest rates.

Net Exceptional Income/Expense

Net exceptional expense totaled (euro)33 million in fiscal 2004 and is principally comprised of the following, (euro)6 million loss on the sale of the Medcheque subsidiary in Brazil in March 2004, (euro)6 million for obsolete assets in various countries; (euro)6 million for costs of litigation (including (euro)3 million for ongoing defense costs in connection with the U.S. litigation more fully described in Item 8A); (euro)4 million associated with the relocation of offices and staff reductions in the United Kingdom, and (euro)3 million for provisions for stock options and losses on shares held as treasury shares.

Income Taxes

Income taxes totaled to (euro)109 million in fiscal 2004 for an effective rate of 30 %, as a result of the favorable resolution of certain tax contingencies and the utilization of loss carrybacks in the United Kingdom, as well as the benefits from certain changes in tax laws in several jurisdictions including Italy, and some non-taxable income.

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Net Income from Equity Method Investees

Net income from equity method investees was (euro)1 million, which decreased from (euro)4 million in the prior year.

Minority Interests

Minority interests increased from (euro)9 million in fiscal 2003 to (euro)14 million in fiscal 2004.

Goodwill Amortization

Goodwill amortization decreased from (euro)62 million in fiscal 2003 to (euro)59 million in fiscal 2004, mainly as a result of currency exchange impacts.

34

B. Liquidity and Capital Resources

The following table sets forth certain cash flow items for fiscal 2003 through fiscal 2005:

	Year ended August 31,		
	2005	2004	2003
	(millions of euro)		
Net cash provided by operating activities.....	655	614	490
Net cash used in investing activities.....	(203)	(245)	(278)
Net cash used in financing activities.....	(332)	(401)	(202)
Net effect of exchange rate variations on cash.....	27	(33)	(54)
	----	----	----
Net increase (decrease) in cash and cash equivalents...	147	(65)	(44)
	====	====	====

Cash provided by operating activities (including dividends received from equity method investees) was down 5% at (euro)426 million. Changes in working capital from operating activities generated cash of (euro)229 million. In addition to the effect of revenue growth, this reflected a one-day improvement in average credit taken by clients in Food and Management Services and a sharp increase in issue volumes for Service Vouchers and Cards during the final months of fiscal 2005. As a result, net cash flow from operations was up 7% at (euro)655 million, confirming the excellent cash-generating ability of the Sodexo financial model. However, payment of the settlements in the U.S. class action are expected to impact cash flow in the second half of fiscal 2006.

At (euro)186 million, acquisitions of fixed assets (net of disposals) represented 1.6% of revenues.

Net cash used in financing activities amounted to (euro)332 million, comprising a dividend payout of (euro)116 million and debt reduction of (euro)216 million.

After an increase of (euro)120 million in the net cash position at August 31, 2005, net debt showed an overall reduction of (euro)335 million, including (euro)36 million from the effect of closing exchange rates). This took net debt at August 31, 2005 to (euro)575 million, with gearing down to just 26%.

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At August 31, 2005, total borrowings stood at (euro)1,940 million, mainly in the form of two bond issues ((euro)1,332 million) and a US dollar bank credit facility of \$541 million. The balance was made up of various bank credit facilities and finance leases.

On April 29, 2005, the group arranged a multi-currency variable rate syndicated credit facility of (euro)460 million and \$700 million. This facility was utilized for making accelerated prepayments on the April 2001 credit facility and the May 2004 line of credit, both of which were repaid in full. This credit facility expires in April 2010, but the group may extend its term for two additional periods of one year each, at the discretion of the banks.

As of the end of fiscal 2005, 71% of borrowings were at fixed rate, and the average interest rate was 5.3%. Unused credit facilities amounted to (euro)475 million. Off balance sheet commitments at August 31, 2005 (see note 4.23 to the consolidated financial statements) stood at (euro)210 million, equivalent to 9.7% of shareholders' equity. We believe our working capital is sufficient for our present requirements. We expect that cash on hand, internally generated cash flows and available credit will be sufficient to cover our additional cash flow requirements in the foreseeable future.

For fiscal 2004, net cash provided by operating activities amounted to (euro)614 million. Cash provided by operating activities totaled (euro)447 million, a 15.5% increase from fiscal 2003, despite unfavorable currency effects of 7%. Net cash generated by changes in operating working capital amounted to (euro)163 million in fiscal 2004, of which 25% was from the Service Vouchers and Cards business. The cash flow from changes in working capital in food and management services was driven by organic growth in revenues, improvements in receivables collection, and the impact of the timing of the fiscal year closing date on the payment of employee costs.

Capital expenditures, net of disposals of property, plant and equipment, amounted to (euro)163 million in fiscal 2004, representing 1.4 % of revenues. Net acquisition expenditures of (euro)82 million in fiscal 2004 mainly included the

35

acquisitions of the remaining interests in Astilbe and Luncheon Tickets. Net cash used in financing activities of (euro)401 million in fiscal 2004 is explained in part by the net repayment of debt of (euro)270 million and by the payment of (euro)103 million in dividends.

Net debt was reduced by (euro)294 million of which (euro)57 million resulted from the exchange rate effect on August 31, 2004. As such, net debt in our consolidated balance sheet totaled (euro)919 million as of August 31, 2004, and represents 41% of our shareholders' equity including minority shareholders.

Total financial debt of (euro)2,128 million as of August 31, 2004 principally comprised two bond issues in euro totaling (euro)1,332 million and two credit facilities totaling U.S. \$735 million. The balance of outstanding debt represents leasing, term and various revolving credit facilities. As of August 31, 2004, 79% of our debt was at fixed interest rates, and our weighted average interest cost was 5.2%.

As of August 31, 2004, and in addition to available cash and cash equivalents and marketable securities (excluding restricted cash) of (euro)1,041 million, we had revolving credit facilities available of (euro)331 million to

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provide funds for liquidity, seasonal borrowing needs and other corporate purposes.

C. U.S. GAAP

General

Our financial statements are prepared in accordance with French GAAP, which differs in certain significant respects from U.S. GAAP, as discussed in note 5 to the consolidated financial statements. The effects of U.S. GAAP adjustments are included in note 5 to the consolidated financial statements.

D. Research and Development, Patents and Licenses, etc.

We have the patents, trademarks, trade names and licenses that are necessary for the operation of our business as we currently conduct it. Other than the Sodexho name, we do not consider our patents, trademarks, trade names and licenses to be material to the operation of our business.

E. Off Balance Sheet Arrangements.

The Group has entered into agreements to purchase or sell shares in various group companies that are not wholly-owned. None of the estimated obligations in connection with these arrangements is considered to either have, or be reasonably likely to have, a current or future material effect on the Group's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Commitments made as of August 31, 2005 (millions of euro) were as follows:

	August 31, 2005				Augu
	<1 year	1-3 years	> 3-5 years	> 5 years	Total
Financial guarantees to third parties	100	39	11	10	160
Performance bonds on operating leases	8	5	5	9	27
Client performance bonds	8	8	-	-	16
Other commitments	1	5	-	1	7
	-----	-----	-----	-----	-----
Total	117	57	16	20	210
	=====	=====	=====	=====	=====

36

The increase of (euro)86 million in financial guarantees to third parties primarily relates to new letters of credit written in the United States in favor of third party workers' compensation insurance carriers.

Sureties

In connection with its Service Vouchers and Cards business, Sodexho Alliance and its subsidiaries have secured cash amounts with different financial institutions, totaling (euro)9 million as of August 31, 2005. Other surety arrangements (security granted over equipment or buildings used for collateral) agreed to by Sodexho Alliance and its subsidiaries in fiscal 2005 were not

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significant.

Commitments to purchase or sell shares in companies

Commitments made:

- o Abra (subsidiary of Sodexho Scandinavian Holding AB)

The Group, through its Sodexho Scandinavian Holding AB subsidiary, has entered into a put agreement with the minority shareholders of Abra (located in Norway) to acquire the remaining 4% of the shares outstanding by November 2005, at the latest, for a price based upon a profit multiple. The minimum purchase price amount is (euro)0.5 million and based on current projections, is estimated at (euro)1.1 million.

- o Altys Multiservices

The Group has entered into a put agreement to acquire 18.5% of the shares of Altys Multiservice from the minority shareholders between October 1 and November 30, 2005, and 1.5% between October 1 and November 30, 2007, for a purchase price based on a multiple of the average economic profits, as defined contractually in the year of exercise with an adjustment based on the following year's results. In the fourth quarter of calendar 2005, the Group acquired the 20% held by the minority shareholders for consideration of (euro)10.6 million.

- o Sodexho Italia

The Group has entered into a put agreement to acquire the remaining 2% of the shares of Sodexho Italia from the minority shareholders on July 1, 2010, at the latest, for a purchase price based on a multiple of the average economic profits, as defined contractually.

- o Smiling Faces

The Group, via its subsidiary Sodexho Scandinavian Holding AB, entered into a put agreement to acquire between 2006 and 2012 the remaining 30% of the shares of Smiling Faces (Finland). The purchase price is based on earnings multiples, subject to a minimum of (euro)0.5 million. Based on current projections, the purchase price is estimated at (euro)2.1 million.

Commitments received:

- o Patriot Medical Technologies, Inc.

The minority shareholders of Patriot have entered into a call agreement with the Group, which allows the Group, during the period from September 3, 2003 and September 3, 2005, to acquire the remaining outstanding shares of Patriot, if any, for the greater of U.S. \$2 million and five times Patriot's EBITDA, reduced by adjustments defined contractually. At the start of September 2005, Sodexho, Inc. bought out these minority interests.

- o Abra (subsidiary of Sodexho Scandinavian Holding AB)

The minority shareholders of Abra have entered into a call agreement to sell the remaining shares to the Group in accordance with the terms described above, in November 2005 at the latest.

- o Sodexho Italia

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The minority shareholder of Sodexho Italia has entered into a call agreement to sell the remaining shares to the Group in accordance with the terms described above, on July 1, 2010 at the latest.

o Altys Multiservices

The minority shareholders of Altys Multiservice have entered into a call agreement to sell 18.5% of the shares to the Group between October 1 and November 30, 2005 for a purchase price based on a multiple of the average economic profits as defined contractually in the year of exercise with an adjustment based on the following year's results.

Other commitments

Securitization

Our food service subsidiaries in the United Kingdom had securitized without recourse a portion of their client receivables for an amount of (euro)48 million as of August 31, 2004. The securitization program was terminated in June 2005. The reduction of (euro)47 million in securitized receivables (excluding translation adjustments) related to August 31, 2004 is included in the line "Change in working capital from financing activities" in the Statement of Cash Flows.

Commitments for stock options in Sodexho Alliance shares

The Group has the following stock option commitments:

- o 1,565,122 Sodexho Alliance shares with an average exercise price of U.S. \$28.95 to certain employees of Sodexho, Inc., in connection with the Group's acquisition of 53% of Sodexho Marriott Services, Inc. in June 2001. As of August 31, 2005, all of these options were exercisable, through various expiration dates, the latest being April 31, 2011.
- o 6,983,920 Sodexho Alliance shares granted by the Board of Directors to Group employees in connection with various stock option plans. Following is information with respect to these plans.

Issuance date	Exercisable period		Exercise price
-----	-----	-----	-----
-----	From	To	-----
January, 2001	March, 2005	January, 2006	(euro) 48.42
January, 2002	January, 2006	January, 2007	(euro) 47.00
January, 2002	January, 2006	January, 2008	(euro) 47.00
September, 2002	April, 2006	March, 2008	(euro) 47.00
October, 2002	October, 2006	October, 2007	(euro) 21.87
January, 2003	January, 2004	January, 2009	(euro) 24.00
June, 2003	January, 2004	January, 2009	(euro) 24.00
January, 2004	January, 2005	January, 2010	(euro) 24.50
January, 2005	January, 2006	January, 2011	(euro) 23.10
June, 2005	June, 2006	June, 2011	(euro) 26.04
September, 2005	September, 2006	September, 2011	(euro) 28.07
January, 2006	January, 2007	January, 2012	(euro) 34.85

TOTAL

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In connection with its acquisition of Sogeres, the Group committed to maintain Sogeres' stock option plan dated August 1, 1997. The Group committed to acquire the Sogeres shares from the optionees through September 2004 and has recorded a related liability in its accounts. As of August 31, 2004, the Group had acquired all of the shares. A second stock option plan was established for which the Group has committed to increase the capital of Sogeres for the

38

benefit of the optionees and to buy their shares no later than February 20, 2008. In connection with this agreement, a provision of (euro)4.9 million was recorded in the consolidated financial statements as of August 31, 2005.

Operating lease commitments

Operating lease commitments are as follows:

Less than one year (euro)99 million
 From one to three years (euro)121 million
 From three to five years (euro)45 million
 More than five years (euro)25 million

Operating lease commitments primarily relate to central kitchens under tri-partite agreements with municipalities for (euro)50 million and rent of (euro)135 million for office space and (euro)105 million for various equipment.

F. Tabular Disclosure of Contractual Obligations

Future payments on borrowings and other debt balances as of August 31, 2005 were due as follows:

	Less than one year	One to three years	Three to five years	More than five years	Total August 2005
	(millions of euro)				
Bonds					
Euro.....	32	-	1,300	-	1,332
Total bonds.....	32	-	1,300	-	1,332
Bank borrowings (1)					
U.S. Dollars.....	11	135	444	-	590
Euro.....	(157)	(95)	6	17	(129)
Pounds Sterling.....	125	-	-	-	125
Other currencies.....	35	9	-	-	44
Total bank borrowings.....	14	49	450	17	530
Capital lease obligations					
U.S. Dollars.....	1	2	2	5	10
Euro.....	10	14	6	4	34
Other currencies.....	1	-	1	-	2

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Total capital lease obligations.....	12	16	9	9	
Other borrowings					
Euro.....	7	1	1	-	
Other currencies.....	2	-	-	-	
Total other borrowings.....	9	1	1	-	
Bank overdraft balances					
Euro.....	14	-	-	-	
U.S. Dollars.....	3	-	-	-	
Pounds Sterling.....	1	-	-	-	
Other currencies.....	3	-	-	-	
Total bank overdrafts.....	21	-	-	-	
Total.....	88	66	1,760	26	1

39

(1) Includes impact of swaps; see note 3.17 to the consolidated financial statements for further information.

40

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The table below sets forth, as of January 31, 2006, the names of our directors, their dates of birth, their current positions with us, the dates of their initial appointment as directors and the expiration dates of their current terms.

Name	Date of Birth	Position	Initially Appointed	Expiration
Pierre Bellon(2) (4)	1/24/1930	Chairman	11/14/1974	20
Robert Baconnier(5) *	4/15/40	Director	2/8/2005	20
Remi Baudin(2) (3)	10/19/1930	Vice Chairman	2/25/1983	20
Patricia Bellinger(2) (4) *	3/24/1960	Director	2/8/2005	20
Astrid Bellon	4/16/1969	Director	7/26/1989	20
Bernard Bellon(4)	8/11/1935	Director	2/26/1975	20
Francois-Xavier Bellon	9/10/1965	Director	7/26/1989	20
Sophie Clamens	8/19/1961	Director	7/26/1989	20
Paul Jeanbart*	8/23/1939	Director	2/13/1996	20
Charles Milhaud	2/20/1943	Director	2/4/2003	20
Francois Perigot(1) (6) *	5/12/1926	Director	2/13/1996	20
Nathalie Szabo(2)	1/26/1964	Director	7/26/1989	20
Peter Thompson*	8/15/1946	Director	2/8/2005	20
H.J. Mark Tompkins(6) *	11/02/1940	Director	2/05/2002	20

- (1) Chairman of the Nominating Committee.
- (2) Member of the Nominating Committee.
- (3) Chairman of the Compensation Committee.
- (4) Member of the Compensation Committee.
- (5) Chairman of the Audit Committee and financial expert.
- (6) Member of the Audit Committee.

* Independent director.

Pierre Bellon. Mr. Bellon founded Sodexho Alliance in 1966 and served as its Chairman and Chief Executive Officer until August 31, 2005. Currently, he is Chairman of the Board of Directors. Since 1988, he has served as Chairman and Chief Executive Officer of Bellon SA, the family holding company that controls us, and as Chairman of its Executive Board (Board of Directors) from 1996 until February 2002. At that time, he was appointed Chairman of the Bellon SA Supervisory Board. Mr. Bellon has also served as National President of the Center for Young Company Managers (formerly the Center for Young Employers) from 1968 to 1970 and President of the National Federation of Hotel and Restaurant Chains from 1972 to 1975. He was a member of the Economic and Social Council from 1969 to 1979 and has been a member of the Executive Council of the National Council of French Employers (CNPF (now known as the Medef)) since 1976 and from 1980 until 2005, its Vice-President. He has also served as President of the Management Improvement Association, which he founded in 1987, and as a member of the Board of the National Association of Joint-Stock Companies. Mr. Bellon is currently a director of PPR. Mr. Bellon and his children, Astrid Bellon, Sophie Clamens, Nathalie Szabo and Francois-Xavier Bellon and their children, hold 68.5 of the shares in Bellon SA, which holds a 36.83% economic interest in Sodexho Alliance as of January 31, 2006.

41

Robert Baconnier. Mr. Baconnier began his career in 1967 as a civil servant at the French Ministry of Economy and Finance, and was assigned to the Internal Revenue Service (Direction Generale des Impots). From 1977 to 1979, he was the Technical Advisor to the office of the Minister of Economy and Finance, then Deputy Director in the office of the Minister for the Budget. From 1979 to 1983, he was Deputy Director in charge of the International Division of the Tax Legislation Department; in 1983 he was appointed head of the Litigation Department of the Internal Revenue Service. In 1986, he became the head of the Internal Revenue Service. From 1990 to 1991, he was the Paymaster General at the French Treasury, and then in 1991 he joined the law firm Bureau Francis Lefebvre, where he served as Chairman of the Management Board until 2004. Currently, he is the Chairman and CEO of ANSA, the French National Association of Joint Stock Companies. In addition, he serves as an advisor to the French Foreign Trade Commission and he is the Chairman of the Tax Committee of MEDEF, the French employer's federation.

Remi Baudin. Before helping Pierre Bellon to create Sodexho Alliance, Mr. Baudin took part in a number of foreign projects for the management consultant company SEMA from 1957 to 1965. He reorganized and managed its ship supply business (1965-1969), then created a joint venture with Sonatrach in the Remote Sites business and headed the two companies' joint subsidiary in Algeria (1969-1970). He successively managed the Food and Management Services France division and started up operations in Belgium (1971-1976); the France and Africa division, overseeing start-ups in Cameroon, Nigeria, Ivory Coast, Angola, Benin, Guinea, Algeria and Libya (1977-1982); and the Food and Management Services France and Europe division (1982-1992). Mr. Baudin is also President of FERCO,

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the European food services confederation, which he founded in 1988 and is the President of the Supervisory Board of Octofinances SA. He was Chairman of the Bellon SA Supervisory Board from 1996 until February 2002 and currently serves as its Vice Chairman.

Patricia Bellinger. Ms. Bellinger began her career in Madrid, Spain in 1986 by founding a casting agency, and she continued working in media and communications in Spain until 1995. In 1995, she returned to the United States and joined Bristol Myers Squibb, the pharmaceutical company, where she was successively Associate Director for Communications, Associate Director for Public Affairs, and in 1998, the Corporate Director of Culture and Human Resources Diversity. In 2002, she joined British Petroleum in London to become the head of diversity and inclusion. Recently Ms. Bellinger became the head of the newly created Leadership Education function. Ms. Bellinger currently serves as a member of the Executive Leadership Council in Washington, D.C; she is a member of the Advisory Board of the Leadership Center at Morehouse College in Atlanta, Ga. and she is also a member of the Breakthrough Breast Cancer Generations Appeal Board. Ms. Bellinger is an American citizen.

Astrid Bellon. Astrid Bellon is a member of the Executive Board of Bellon SA, is President of Sofrane SAS, and is a Manager and Permanent Representative of Sofrane for S.C.A Sobelnat. Since 1999, Ms. Bellon has worked in the field of audio-visual production, and in 2001, she created the company "Les Films d'a Cote," in which she is also a shareholder. Astrid Bellon is the daughter of Pierre Bellon.

Bernard Bellon. Mr. Bellon was Director of Compagnie Hoteliere du Midi (a member of the Compagnie de Navigation Mixte Group) from 1962 to 1970 and then held various managerial positions in banking at CIC-Banque de Union Europeenne Group from 1970 to 1988. In 1988, he founded Finadvance SA, a venture capital company, and has since served as its Chairman. He also serves as a member of the Bellon SA Supervisory Board and a director of CIC France and Copelia. Bernard Bellon is the brother of Pierre Bellon.

Francois-Xavier Bellon. Francois-Xavier Bellon began his career in the temporary employment business as an agency manager for Adia France (1990-1991) and then for Ecco in Barcelona, Spain, where he was promoted to Sales and Marketing Director and Regional Director for Catalonia (1993-1995). He joined the Group in September 1995, initially as segment manager and later as development manager for the Healthcare segment in France. In 1999, he became the Managing Director of Sodexho Mexico. In January 2004, he was appointed Chief Executive of Sodexho in the U.K., before resigning a few months later. He is a member of the Executive Board of Bellon SA. Since 2005, he has been the Sales and Marketing Director of the Temporary Work division of the Adecco Group. Francois-Xavier Bellon is the son of Pierre Bellon.

Sophie Clamens. From 1985 to 1987, Ms. Clamens was employed by Credit Lyonnais in New York as a mergers and acquisitions advisor for the bank's French clientele. She later worked as a sales agent for a number of leading European fashion houses, including Chanel, Valentino, Ungaro and Armani. Ms. Clamens joined the Group's finance

department in 1994, initially as a development analyst and later responsible for strategic financial planning. Since 2002, she has been Manager of Strategic Planning for the Group. Since September 2005 she has been Group Vice President Client Retention, responsible for worldwide implementation of the Group's client retention strategy. Ms. Clamens became Chairman of the Executive Board of Bellon

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SA in 2002, and, currently serves as a director of Holding Altys SA. Ms. Clamens is the daughter of Pierre Bellon.

Paul Jeanbart. Mr. Jeanbart is a co-founder, partner and, since 1967, the Chief Executive Officer of the Rolaco Group. He also serves as Chairman of Oryx Merchant Bank Limited, Chairman of the Board of Directors of Hotels Intercontinental Geneva, Executive Director of Rolaco Holding SA and is a member of the Semiramis Hotel Co., Delta International Bank, NASCO Insurance Group, and Luxury Brand Development Boards of Directors and the Club Mediterranee SA Supervisory Board. Mr. Jeanbart is a citizen of Canada.

Charles Milhaud. Mr. Milhaud joined the Caisse d'Epargne in 1964. In 1983, he became Directeur General of the Caisse d'Epargne des Bouches du Rhone et de la Corse as well as a Member of the Supervisory Board of the Centre National des Caisses d'Epargne (CENCEP). In 1995, he was named Vice President of the Board of Directors of the Caisse Centrale des Caisses d'Epargne. When the two entities merged in 1999 to form the Caisse Nationale des Caisses d'Epargne (CNCE), Mr. Milhaud was named President of the Directoire, a position he currently holds. Mr. Milhaud is also Chairman of the Supervisory Boards of Credit Foncier de France, Ixis, Issoria and Financiere Oceor, Member of the Supervisory Boards of CDC Enterprise, Ixis Asset Management, Ixis Asset Management Group, Ixis Private Capital Management and CNP Assurances SA. He is a member of the Executive Committee of the Federation Bancaire Francaise.

Francois Perigot. After serving as Chairman and Chief Executive Officer of Thibaud Gibbs et Compagnie from 1968 to 1970, Mr. Perigot successively held the positions of Chairman and Chief Executive Officer Unilever Spain and Chairman and Chief Executive Officer Unilever France (1971-1986). From 1986 to 1998, he was Chairman of Compagnie du Platre, and from 1988 to 1998 he served as Vice Chairman and later Chairman of UNICE, the European union of employer and industry confederations. Mr. Perigot has also served as a president of the Enterprise Institute (1983-1986), a president of the National Council of French Employers (1986-1994), a member of the Executive Committee of the International Chamber of Commerce (1987-1989) and a member of the Economic and Social Council (1989-1999). He has also been President of the Franco-Dutch Chamber of Commerce, President of MEDEF International (1997-2005) and President of the International Employers Organisation since June 2001. He currently serves as Honorary President of MEDEF and MEDEF International since 2005.

Nathalie Szabo. Ms. Szabo began her career in 1987 in the restaurant industry. She served as an account manager for Scott Traiteur from 1989 and later became sales director of Pavillon Royal. She joined the Group in March 1996 as sales director of Sodexho Prestige in France. She became sector manager in 1999 and subsequently became the Managing Director of Sodexho Prestige. Ms. Szabo is a member of the Executive Board of Bellon SA. Ms. Szabo is the daughter of Pierre Bellon.

Peter Thompson. Mr. Thompson began his career in marketing in 1970, and in 1974 he became a Product Manager for General Foods Corp. He then joined GrandMet plc in 1984, where he held management positions in several subsidiaries, including Green Giant, Haagen-Dazs and Pillsbury. In 1992, he became Chairman and CEO of GrandMet Foods Europe, based in Paris. Mr. Thompson then joined PepsiCo Group in 1994 where he successively held the positions of: Chairman of Walkers Crisps in the U.K.; CEO Europe, Middle East, Africa of Frito-Lay International, and finally CEO of Pepsi-Cola International (1996-2004). Currently, he is the Chairman of the Board of Trustees of the Stanwich School and a Director of Syngenta AG. Mr. Thompson is an American citizen.

H.J. Mark Tompkins. Mr. Tompkins began his career in investment banking in 1964 with Samuel Montagu & Company (now HSBC). From 1965 to 1971, he was a management consultant with Booz Allen & Hamilton working on assignments in the U.K., continental Europe and the U.S. He joined the Slater Walker Securities

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group in 1972 and was named Chairman and Chief Executive Officer of Compagnie Financiere Haussmann, a publicly traded company in France. From 1975 through 1987, he became active in property development, investment and management in both residential and commercial sectors. In 1987 and subsequent years, his focus moved to private equity and capital development in publicly traded entities, notably in the healthcare, pharmaceutical, retail and distribution, leisure, tourism and manufacturing sectors. He has significant experience in mergers and acquisitions, start-ups, initial public offerings, and private and public debt offerings. He currently serves as director of Allied Healthcare International, Inc.,

43

Healthcare Enterprise Group Plc, Samara Private Game Reserve (Pty) Ltd and Kingkaroo (Pty) Ltd. Mr. Tompkins is a British citizen.

Executive Officers

The table below sets forth, as of January 31, 2006, the names and dates of birth of our executive officers.

Name	Date of Birth	Position
Elisabeth Carpentier	5/08/1954	Group Executive Vice President, Human Resources
Pierre Henry	1/22/1952	Group Chief Operating Officer Chief Executive Officer Service Vouchers & Cards
Sian Herbert-Jones	9/13/1960	Group Chief Financial Officer
Vincent Hillenmeyer	7/16/1966	Group Executive Vice President, Strategic Planning
Philip Jansen	1/28/1967	Group Chief Operating Officer Chief Executive United Kingdom and Ireland, Food and Ma
Nicolas Japy	5/30/1956	Group Chief Operating Officer Chief Executive Officer Universal Sodexho Remote Sites, Officer, Asia and Australia, Food and Management Service
Michel Landel	11/07/1951	Chief Executive Officer Sodexho Alliance President, Executive Committee President, Sodexho Stop Hunger Association
Richard Macedonia	08/21/1943	Group Chief Operating Officer Chief Executive Officer, North America Food and Management
Jacques Petry	10/16/1954	Group Chief Operating Officer Chief Executive Officer Continental Europe and South Am Management Services

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Clodine Pincemin	7/20/1952	Group Executive Vice President, Communications and Sust Development
Damien Verdier	02/09/1957	Group Executive Vice President, Marketing

Elisabeth Carpentier. Ms. Carpentier joined us in 1981 as Director of Hiring and Placement. From 1994 to 1998, she served as Human Resources Director for our Food and Management Services subsidiary in France. In January 1998, she was appointed Group Chief Human Resources Officer. Ms. Carpentier has both a law diploma and a post-graduate degree in human resources management.

Pierre Henry. After acquiring sales experience in the Belgian subsidiary of a U.S. company, Mr. Henry joined Sodexho in 1980 as Regional Director of Belgium's Cheque Repas. He then served successively as Sales Director and Managing Director of Cheque Repas Belgium. The scope of his responsibility has gradually extended to include other European countries, and in 2001, he was appointed Managing Director, Service Vouchers and Cards of a region which included Western Europe, Morocco, Tunisia, Turkey, China and the Philippines. He was promoted to the position of Chief Operating Officer and then Chief Executive Officer of our Service Vouchers and Cards activity in February 2004 and September 2005, respectively. Since September 2005, he is also one of the Group's Chief Operating Officers. He holds a degree in psychology which he obtained from the Catholic University of Louvain, Belgium.

44

Sian Herbert-Jones. Ms. Herbert-Jones began her career in Corporate Finance with Price Waterhouse in London and Paris from 1982 to 1995, where she served, notably, as Director in the Mergers and Acquisitions department. While at Price Waterhouse, she played an active role in our acquisition of Gardner Merchant in 1995. Ms. Herbert-Jones joined us in 1995 and was appointed Treasurer in 1998, Deputy Chief Financial Officer in October 2000 and Group Chief Financial Officer in November 2001. She holds an M.A. in History from Oxford University and is a Chartered Accountant in England and Wales.

Vincent Hillenmeyer. Mr. Hillenmeyer began his career in 1988 with Arthur Andersen. After joining Sodexho in 1991, he served as Remote Sites Finance Manager in Cameroon, then in 1993 as District Manager for Sodexho France, Business and Industry, in 1995 as Financial Analyst for Sodexho France, Business and Industry, and in 1998 as Paris-Ile de France Regional Director, Large Accounts. In 2000, he was appointed Vice President, Special Projects, Information Systems, for Sodexho, Inc. In October 2001, he was promoted to Group Executive Vice President, Strategic Planning. He earned a degree from HEC, one of France's leading business schools.

Philip Jansen. Mr. Jansen started his career in 1988 at Procter & Gamble in various commercial roles, has been Sales, Marketing and Commercial Director with Dunlop Slazenger, before serving as Managing Director for the Consumer Division at Telewest Communication PLC, followed by a position as Group Chief Operating Officer at MyTravel Group PLC. Philip Jansen joined Sodexho U.K. & Ireland in October 2004 as Chief Executive and since September 2005, he is also one of the Group's Chief Operating Officers. He holds a Bachelor of Science Degree in Economics from the University of Cardiff.

Nicolas Japy. Mr. Japy began his career in 1982 as an oil consultant for BEICIP. After joining the TAT airline as Programs and Development Director, he served as Managing Director of Air Vendee. He joined Sodexho in 1991 as Managing

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Director for Congo, and then served as Managing Director for Saudi Arabia and later for Africa. In 1998, he left Sodexho to serve as Director of North American Operations for Club Mediterranee. In October 2001, he returned as President and Chief Executive of the remote sites activity. Since September 2005, he is one of the Group's Chief Operating Officers and Chief Executive Officer of the Remote Sites activity and Food and Management Services in Asia and Australia. He holds engineering degrees from ENSEE in Grenoble and ENSPM in Paris.

Michel Landel. Mr. Landel began his career in banking with Chase Manhattan and building products with Poliet. He joined Sodexho in 1984 to manage operations in Eastern Africa, Libya and Algeria. In 1986, he was appointed to head the Remote Sites business in Africa. He was again promoted in 1989, this time to head North America operations. In particular, he helped bring about the 1998 alliance with Marriott Management Services and the creation of a joint company, Sodexho Marriott Services (SMS). In May 1999, he was named President and Chief Executive Officer, and a member of the Board of SMS, which became fully owned by Sodexho in 2001. In June 2003, he became Co-President and Chief Operating Officer of Sodexho Alliance responsible for the Food and Management Services activities in North America, the United Kingdom and Ireland, as well as for the remote site activity. In September 2005, he was appointed Chief Executive Officer of the Group. He has a degree in business and management from the European Business School.

Richard "Dick" Macedonia. Mr. Macedonia began his career with the company in 1968 in operations in the Campus Services, and joined Health Care Services in 1975. He has held positions throughout the company including District Manager, Vice President of Marketing and Sales, Vice President of Business Development and later President for Sodexho's Health Care Services Division. He was appointed to different positions within Sodexho Inc.: Chief Operating Officer in June 2003, President & Chief Operating Officer at the beginning of 2004 and a year later President and Chief Executive Officer. Since September 2005 he is also one of the Group's Chief Operating Officers and Worldwide Market Champion for Business and Industry, replacing Michel Landel. Mr. Macedonia is a graduate of Indiana University of Pennsylvania, Indiana, PA. He is a corporate member of both the Health Insights Foundation and the Hospital Research and Development Institute.

Jacques Petry. Prior to joining Sodexho, Mr. Petry spent his entire previous career with the group Lyonnaise des Eaux / Suez serving successively as Project Manager of United Water in the United States, Chief Executive of various international subsidiaries, Chairman & CEO of SITA and finally Chairman & CEO of Suez Environnement. He joined Sodexho in March 2005 as Chief Executive Officer, Continental Europe and South America. Since September 2005, he is one of the Group's Chief Operating Officers and Chief Executive Officer of Continental Europe and Latin America. He also has Group-wide responsibility for Global Business & Industry global account. He holds engineering degrees

45

from Ecole Polytechnique and Ecole Nationale des Ponts et Chaussees as well as an MBA from Villanova University In Pennsylvania.

Clodine Pincemin. Ms. Pincemin joined us in 1974. She was later appointed to head public relations and then communications for France. Since 1991, she has held the position of Group Executive Vice President, Communications and Sustainable Development. Ms. Pincemin has a degree in French literature.

Damien Verdier. Mr. Verdier joined Sodexho in 1979 working as District

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Manager, then as Development Manager. He was promoted to Regional Director in 1985, Operations Director for Business & Industry France in 1991, Managing Director for Business & Industry segment in 1993 and Managing Director for France in 1998. In 2003, he became Director of Strategic Planning for Continental Europe and was appointed in September 2005 Group Executive Vice President, Marketing responsible for procurement, food offer marketing and client retention. He holds a business degree which he obtained from the Ecole Supérieure de Commerce de Nantes, France.

B. Compensation

During fiscal 2005, members of our Board of Directors received total fees, compensation and benefits from Sodexho Alliance and related companies as follows.

in euro	Total Fiscal 2004(1)	Total Fiscal 2005(1)	Sodexho Alliance Directors' fees	Bellon SA(2)
Pierre Bellon	289,692	485,867	35,800	450,06
Robert Bacconnier (3)	-	13,600	13,600	
Remi Baudin	30,900	38,800	37,300	1,50
Patricia Bellinger (3)	-	16,700	16,700	
Astrid Bellon	70,400	88,664	24,000	64,66
Bernard Bellon	22,800	32,300	30,800	1,50
Francois-Xavier Bellon	414,935	273,869	24,000	169,16
Sophie Clamens	159,499	190,162	26,400	84,89
Paul Jeanbart	21,300	26,500	26,500	
Charles Milhaud	14,000	19,500	19,500	
Francois Perigot	25,200	32,100	32,100	
Edouard de Royere (4)	31,900	24,000	24,000	
Nathalie Szabo	136,074	161,709	29,000	70,98
Peter Thompson(3)	-	10,500	10,500	
Mark Tompkins	23,700	30,800	30,800	

(1) Total including directors' fees paid by Sodexho Alliance and all forms of compensation paid for positions held in Bellon SA, Sodexho Alliance, and/or Sodexho Group companies.

(2) All forms of compensation paid for positions held in Bellon SA.

(3) Appointed as Directors at the general shareholders' meeting of February 8, 2005.

(4) Term of office as Director expired at the general shareholders' meeting of February 8, 2005.

As a matter of French law, non-employee members of our Board of Directors may not be granted stock options.

Compensation for our executives is comprised of a fixed salary, a

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performance bonus tied to the achievement of annual objectives, and benefits. For fiscal 2005, the aggregate compensation received by members of the Executive Committee was (euro)5,713,284 which included base pay totaling (euro)3,544,273 and variable pay totaling (euro)2,169,011. The members of the Executive Committee who were members during fiscal 2005 also received options to purchase a total of 252,000 Sodexho Alliance shares. During fiscal 2005, the total compensation paid to the Group Chief Executive Officer and Chief Operating Officers was as follows:

	Fixed compensation	Variable compensation	Total

(amounts in euro)			
Pierre Bellon	315,867	170,000	485,867
Jean-Michel Dhenain	568,766	253,335	822,101
Michel Landel	801,889	920,112	1,722,001

The table below provides certain information regarding the options to purchase our common shares granted to executive officers.

Date of Plan -----	Amount (1) -----	Exercise Price per Share -----	Expiration Date -----
January 24, 2001	25,767	(euro) 48.42	January 23, 2006
January 11, 2002	46,500	(euro) 47.00	January 10, 2007
January 11, 2002	60,000	(euro) 47.00	January 10, 2008
January 27, 2003	214,000	(euro) 24.00	January 26, 2009
January 27, 2003	40,000	(euro) 24.00	January 26, 2009
June 12, 2003	15,000	(euro) 24.00	January 26, 2009
January 20, 2004	237,000	(euro) 24.50	January 19, 2010
January 18, 2005	292,000	(euro) 23.10	January 17, 2011
January 10, 2006	329,500	(euro) 34.85	January 9, 2012

 (1) These amounts have been adjusted retroactively, where appropriate, to reflect the four-for-one stock split effective March 7, 2001 and the rights offering on July 4, 2001.

During fiscal 2005, we and our subsidiaries recorded total charges of (euro)33 million for pension, retirement and similar benefits and, as of August 31, 2005, we and our subsidiaries had accrued a total of (euro)246 million for these items.

C. Board Practices

Our Board of Directors has 14 members. Directors are chosen for their ability to take the interests of all shareholders into account and for their recognized expertise in areas that are strategic to the company, such as international expansion, innovation, finances or services. The Board of Directors periodically reviews operations, on-going business and special transactions, defines corporate strategy, closes our interim and annual accounts, prepares shareholders' meetings, designates corporate officers to implement strategy and monitors the quality of information provided to shareholders and financial markets.

Senior executives of the company regularly inform the Board of the resources used in their respective businesses to implement the strategy defined

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by the Executive Committee and approved by the Board. The Board is assisted in its strategic thinking by three ad hoc committees:

- o the Audit Committee, which prepares and monitors internal accounting procedures, supervises the application of Group financial, legal and accounting rules, proposes changes to accounting procedures, recommends the appointment and fees of our external auditors and approves their audit and non-audit services, communicates with our internal and external auditors and reports on such matters to the rest of our Board.

47

- o the Nominating Committee for Board members and corporate officers, which examines the Chairman's proposals, prepares recommendations to present to the Board and keeps an up-to-date, confidential list of potential replacements in case a position becomes vacant; and
- o the Compensation Committee, which proposes compensation packages for corporate officers and senior executives, including stock option plans.

The Audit Committee is chaired by Robert Baconnier, a financial expert, with the assistance of Francois Perigot and Mark Thompkins. Ms. Clamens and Mr. Baudin are invited to attend the Audit Committee meetings but are not members. In addition, Mr. Pierre Bellon, Mr. Landel, Ms. Herbert-Jones and the Group Senior Vice President, Internal Audit are regularly invited to present their activities and to respond to committee members questions. Our external auditors report to the Audit Committee periodically on their activity and planned actions. The Chairman of the Audit Committee reports to the Board after each Audit Committee meeting. The Audit Committee met four times during fiscal 2005. The committee discussed a variety of pertinent issues including the approval of the Internal Audit Plan for fiscal 2005, an examination of the principal accounting rules applied by the Group, the impact of International Financial Reporting Standards (IFRS) on the consolidated financial statements, the organization of the Group's finance function, the reports presented by the Group Senior Vice President of Internal Audit department, including its recommendations and management's action plans, the status of the CLEAR project, which is management's initiative to evaluate internal control procedures to comply with applicable French and US laws, and the renewal of Directors' and Officers' liability insurance coverages. The Audit Committee also reviewed the consolidated financial statements for fiscal 2004 as well as the half-year consolidated financial statements for fiscal 2005. The committee approved the audit and non-audit engagements and fees of the Group's external audit firms and their affiliates.

The Nominating Committee is chaired by Francois Perigot with the assistance of Pierre Bellon, Patricia Bellinger, Remi Baudin and Nathalie Szabo. During the fiscal year, Ms. Bellinger replaced Mr. De Royere as a member of this committee. The Nominating Committee met several times during fiscal 2005 including one formal meeting to review matters including the succession of Pierre Bellon and the independence of the Company's directors.

The Compensation Committee is chaired by Remi Baudin, who is also Vice Chairman of the Board of Directors, with the assistance of Pierre Bellon, Patricia Bellinger and Bernard Bellon. The Compensation Committee met three times during fiscal 2005 and reviewed matters including the feasibility of a new international Employee Savings plan, new stock option plans and revised rules, and compensation packages for the Chairman and Chief Executive Officer and the

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Chief Operating Officers.

The Board of Directors met eight times during fiscal 2005.

There are no service contract termination benefits for Directors as such benefits are forbidden by French law.

D. Employees and Labor Relations

As of August 31, 2005, we had 324,446 employees worldwide. The table below shows the number of employees of our company and our subsidiaries by geographic zone as of August 31, 2005, 2004 and 2003.

	August 31,		
	2005	2004	2003
North America.....	120,157	116,772	119,009
United Kingdom and Ireland.....	47,515	49,053	51,843
France.....	31,306	30,359	30,465
Rest of Europe.....	55,964	53,132	49,897
Rest of the World.....	69,504	63,659	57,171
	-----	-----	-----
Total Number of Employees.....	324,446	312,975	308,385
	=====	=====	=====

Following is a breakdown of our employees by category as of August 31, 2005, 2004 and 2003.

48

	August 31,		
	2005	2004	2003
Executives and middle management	6,130	6,408	6,137
Establishment managers and supervisory staff....	33,020	32,368	33,173
Front line service staff and other.....	285,296	274,199	269,075
	-----	-----	-----
Total Number of Employees.....	324,446	312,975	308,385
	=====	=====	=====

Some of our employees are members of local or national trade unions, and, consequently, we have entered into various collective bargaining agreements. Pursuant to regulations in certain countries across Europe, especially in France and Belgium, various committees which represent employees meet on a regular basis. These committees are informed about and consulted on pertinent employee matters. Salaries, working conditions and other employment matters are negotiated with trade unions every year. It is our practice to renew or replace our various employee and collective bargaining agreements as and when they expire, and we are not aware of any material agreements which are not expected to be satisfactorily renewed or replaced in a timely manner. A relatively small number of our employees worldwide are subject to collective bargaining

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agreements, and we do not believe that a failure to renew our collective bargaining agreements on terms similar to those we have now would have a material adverse effect on our financial condition or results of operations.

Because we are a service company, though, we are highly dependent upon the availability of hourly or part-time wage and skilled employees. Thus, severe shortages in the supply of these employees at times of high demand for their services could materially impact our operating performance.

In France, legislation reducing the working week to 35 hours led to wide-ranging discussions with employee representatives on issues such as workplace organization, time management, flexibility and customer service.

We have not experienced any significant work disruptions or conflicts in the last few years, and we consider our relationship with our employees to be satisfactory.

E. Share Ownership

Collectively, members of the Board of Directors and the Executive Committee directly own less than 0.5% of our outstanding capital stock. Pierre Bellon and his children, Astrid Bellon, Francois-Xavier Bellon, Sophie Clamens and Nathalie Szabo, collectively own an economic interest of approximately 68.50% (representing a voting interest of approximately 82.6%) in Bellon SA, which, as of January 31, 2006, owns an economic interest of approximately 36.83% (representing a voting interest of approximately 41.74%) in us. This difference between voting and economic interests in Sodexho is attributable to the fact that a double voting right is granted to all holders of fully-paid registered shares when those shares have been registered for more than four years in the name of the same shareholder, as described in "Item 10.B. Additional Information--Memorandum and Articles of Association." As of January 31, 2006, 14,942,940 of the shares owned by Bellon SA had double voting rights. Bernard Bellon, who is Pierre Bellon's brother, and members of the Bellon family own, as of January 31, 2006, an economic interest of approximately 13% in Bellon SA. The table below sets forth share ownership information, exclusive of these indirect interests, for these individuals and for Bellon SA as of January 31, 2006.

Name ----	Number of Shares Owned -----
Board of Directors	
Bellon SA.....	58,572,917(1)
Pierre Bellon.....	* (2)
Robert Baconnier.....	* (2)
Remi Baudin.....	* (2)
Patricia Bellinger.....	* (2)
Astrid Bellon.....	* (2)
Bernard Bellon.....	* (2)

Name ----	Number of Shares Owned -----
Francois-Xavier Bellon.....	* (2)
Sophie Clamens.....	* (2)

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Paul Jeanbart..... * (2)
 Charles Milhaud..... * (2)
 Francois Perigot..... * (2)
 Nathalie Szabo..... * (2)
 Peter Thompson..... * (2)
 H.J. Mark Tompkins..... * (2)

Executive Committee

Elisabeth Carpentier..... * (2)
 Pierre Henry..... * (2)
 Sian Herbert-Jones..... * (2)
 Vincent Hillenmeyer..... * (2)
 Philip Jansen..... * (2)
 Nicolas Japy..... * (2)
 Michel Landel..... * (2)
 Dick Macedonia..... * (2)
 Clodine Pincemin..... * (2)
 Jacques Petry..... * (2)
 Damien Verdier..... * (2)

(1) Pierre Bellon owns 0.01% of the outstanding shares of Bellon SA; Astrid Bellon, Francois-Xavier Bellon, Sophie Clamens and Nathalie Szabo and their children each own an economic interest of 17.1% in Bellon SA. At any ordinary shareholders' meeting of Bellon SA, Pierre Bellon has a voting interest of 65.13% and each of Astrid Bellon, Francois-Xavier Bellon, Sophie Clamens and Nathalie Szabo and their children has a voting interest of 2.09%. At any extraordinary meeting, Pierre Bellon has a voting interest of 0.01% and each of Astrid Bellon, Francois-Xavier Bellon, Sophie Clamens and Nathalie Szabo and their children has a voting interest of 18.37%. Bernard Bellon and other members of the Bellon family own an economic interest of 13% in Bellon SA. At any ordinary shareholders' meeting, Bernard Bellon has a voting interest of 17.1%. At any extraordinary meeting, Bernard Bellon has a voting interest of 2.86%. Bellon SA is the beneficial owner of approximately 36.83% of our outstanding shares.

(2) Indicates beneficial ownership of less than 1% of the shares outstanding.

As of January 31, 2006, members of our Board of Directors and Executive Committee held, in the aggregate, options to acquire 1,154,400 shares of our common stock. The following table lists the amounts, exercises prices and expiration dates of options held by these individuals at that time.

Name	Amount (1)	Exercise Price per Share	Expiration Date
----	-----	-----	-----
Board of Directors			
Pierre Bellon	--	--	--
Robert Baconnier	--	--	--
Remi Baudin(2)	--	--	--
Patricia Bellinger	--	--	--
Astrid Bellon(2)	--	--	--

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Name -----	Amount (1) -----	per Share -----	Expiration Date -----
Board of Directors			
Bernard Bellon(2)	--	--	--
Francois-Xavier Bellon(2)	--	--	--
Sophie Clamens(2)	--	--	--
Paul Jeanbart(2)	--	--	--
Charles Milhaud	--	--	--
Francois Perigot(2)	--	--	--
Nathalie Szabo(2)	--	--	--
Peter Thompson	--	--	--
H.J. Mark Tompkins	--	--	--
Executive Committee			
Elisabeth Carpentier	5,317	(euro)48.42	January 23, 2006
	10,000	(euro)47.00	January 10, 2007
	35,000	(euro)24.00	January 26, 2009
	35,000	(euro)24.50	January 19, 2010
	35,000	(euro)23.10	January 17, 2011
	35,000	(euro)34.85	January 9, 2012
Pierre Henry	3,068	(euro)48.42	January 23, 2006
	3,400	(euro)47.00	January 10, 2007
	7,300	(euro)24.00	January 26, 2009
	5,000	(euro)24.50	January 19, 2010
	10,000	(euro)23.10	January 17, 2011
	35,000	(euro)34.85	January 9, 2012
Sian Herbert-Jones	6,135	(euro)48.42	January 23, 2006
	15,000	(euro)47.00	January 10, 2007
	40,000	(euro)24.00	January 26, 2009
	40,000	(euro)24.50	January 19, 2010
	40,000	(euro)23.10	January 17, 2011
	40,000	(euro)34.85	January 9, 2012
Vincent Hillenmeyer	4,000	(euro)47.00	January 10, 2007
	17,000	(euro)24.00	January 26, 2009
	17,000	(euro)24.50	January 19, 2010
	17,000	(euro)23.10	January 17, 2011
	17,000	(euro)34.85	January 9, 2012

51

Name -----	Amount (1) -----	Exercise Price per Share -----	Expiration Date -----
Board of Directors			
Philip Jansen	8,000	(euro)23.10	January 17, 2011
	20,000	(euro)34.85	January 9, 2012
	2,500	(euro)47.00	January 10, 2007
	15,000	(euro)24.00	January 26, 2009
	10,000	(euro)24.50	January 19, 2010
Michel Landel	15,000	(euro)23.10	January 17, 2011
	30,000	(euro)34.85	January 9, 2012
	30,000	(euro)47.00	January 10, 2007
	60,000	(euro)24.00	January 26, 2009
	45,000	(euro)24.50	January 19, 2010

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	60,000	(euro)23.10	January 17, 2011
	63,000	(euro)34.85	January 9, 2012
Dick Macedonia	26,000	(euro)47.00	January 10, 2007
	40,000	(euro)24.00	January 26, 2009
	15,000	(euro)24.00	January 26, 2009
	35,000	(euro)24.50	January 19, 2010
	35,000	(euro)23.10	January 17, 2011
	27,500	(euro)34.85	January 9, 2012
Jacques Petry	30,000	(euro)34.85	January 9, 2012
Clodine Pincemin	4,090	(euro)48.42	January 23, 2006
	6,500	(euro)47.00	January 10, 2007
	19,000	(euro)24.00	January 26, 2009
	10,000	(euro)24.50	January 19, 2010
	35,000	(euro)23.10	January 17, 2011
	12,000	(euro)34.85	January 9, 2012
Damien Verdier	4,090	(euro)48.42	January 23, 2006
	2,500	(euro)47.00	January 10, 2007
	12,000	(euro)24.00	January 26, 2009
	8,000	(euro)24.50	January 19, 2010
	7,000	(euro)23.10	January 17, 2011
	20,000	(euro)34.85	January 9, 2012

52

Name	Amount (1)	Exercise Price per Share	Expiration Date
----	-----	-----	-----
Board of Directors			
Total	1,154,400		
	=====		

(1) These numbers have been adjusted retroactively, where appropriate, to reflect the four-for-one stock split effective March 7, 2001 and the rights offering on July 4, 2001.

(2) We do not grant options to members of the Board of Directors (other than the Chairman of the Board) who are not employees.

Our Board of Directors approved four Sodexho Alliance Stock Option Plans on January 10, 2006. The granting of stock options to our employees under these plans had been previously approved by our shareholders at our Extraordinary Shareholders Meeting of February 3, 2004. The exercise price of these plans is (euro)34.85. Options under these plans will be valid from the grant date through January 9, 2012. Under the plans, 25% of the options granted vest and become exercisable on each anniversary of the grant date, such that the entire option is vested after four years on January 10, 2010. Options under these plans, totaling 967,452, were granted to 373 employees. No options granted under these plans may be transferred by the optionholder other than by will or the laws of intestacy. Stock options under these four plans are governed by the laws of France (specifically, articles L225.117 through L225.185 of the French Code de Commerce). Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

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Our Board of Directors approved one Sodexho Alliance Stock Option Plan on September 13, 2005. The granting of stock options to our employees under this plan had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 3, 2004. The exercise price for this plan is (euro)28.07. Options under this plan will be valid from the grant date through September 12, 2011. Under this plan, 25% of the options granted vest and become exercisable on each anniversary of the grant date, such that the entire option is vested after four years on September 12, 2009. Options under this plan, totaling 10,000 were granted to 1 employee. No options granted under this plan may be transferred by the optionholder other than by will or the laws of intestacy. Stock options under this plan are governed by the laws of France (specifically, articles L225.117 through L225.185 of the French Code de Commerce). Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

Our Board of Directors approved one Sodexho Alliance Stock Option Plan on June 16, 2005. The granting of stock options to our employees under this plan had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 3, 2004. The exercise price for this plan is (euro)26.04. Options under this plan will be valid from the grant date through June 15, 2011. Under this plan, 25% of the options granted vest and become exercisable on each anniversary of the grant date, such that the entire option is vested after four years on June 15, 2009. Options under this plan, totaling 20,000 were granted to 2 employees. No options granted under this plan may be transferred by the optionholder other than by will or the laws of intestacy. Stock options under this plan are governed by the laws of France (specifically, articles L225.117 through L225.185 of the French Code de Commerce). Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

Our Board of Directors approved three Sodexho Alliance Stock Option Plans on January 18, 2005. The granting of stock options to our employees under these plans had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 3, 2004. The exercise price for these plans is (euro)23.10. Options under these plans will be valid from the grant date through January 17, 2011. Under the plans, 25% of the options granted vest and become exercisable on each anniversary of the grant date, such that the entire option is vested after four years on January 17, 2009. Options under these plans, totaling 1,000,050 were granted to 454 employees. No options granted under these plans may be transferred by the optionholder other than by will or the laws of intestacy. Stock options under these three plans are governed by the laws of France (specifically, articles L225.117 through L225.185 of the

53

French Code de Commerce). Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

Our Board of Directors approved three Sodexho Alliance Stock Option Plans on January 20, 2004. The granting of stock options to our employees under these plans had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 21, 2000. The exercise price for these plans is (euro)24.50. Options under these plans will be valid from the grant date through January 19, 2010. Under the plans, 25% of the options granted vest and become exercisable on each anniversary of the grant date, such that the entire

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option is vested after four years on January 19, 2008. Options under these plans, totaling 1,009,683 were granted to 494 employees. No options granted under these plans may be transferred by the optionholder other than by will or the laws of intestacy. Stock options under these three plans are governed by the laws of France (specifically, articles L225.117 through L225.185 of the French Code de Commerce). Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

Our Board of Directors approved four Sodexho Alliance Stock Option Plans in 2003. The granting of stock options to our employees under these plans had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 21, 2000. The first three plans were approved on January 27, 2003 and the fourth plan on June 12, 2003. The exercise price for these plans is (euro)24.00. Options under these plans will be valid from the grant date through January 26, 2009. Under the January 27, 2003 plans, 25% of the options granted vest and become exercisable on each anniversary of the grant date, such that the entire option is vested after four years on January 27, 2007. Options under these plans, totaling 2,917,800, were granted to 1,344 employees. Under the June 12, 2003 plan, 25% of the options granted vest and become exercisable on January 27 of each year such that the entire option is vested on January 27, 2007. Options under this plan, totaling 84,660, were granted to nine employees. No options granted under these plans may be transferred by the optionholder other than by will or the laws of intestacy. Stock options under these four plans are governed by the laws of France (specifically, articles L225.177 through L225.185 of the French Code de Commerce). Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

Our Board of Directors approved two Sodexho Alliance Stock Option Plans prior to December 31, 2002. The granting of stock options to our employees under these plans had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 21, 2000. The first plan was approved on September 17, 2002. Options under this plan, totaling 12,000, were granted to a single newly hired employee and will be valid from September 17, 2002 to March 31, 2008. The options vest in full on April 1, 2006 and may be exercised between April 1, 2006 and March 31, 2008 with an exercise price of (euro)47.00. The second plan was approved on October 10, 2002. Options under this plan, totaling 3,220, were granted to 46 employees and will be valid from October 10, 2002 to October 10, 2007. The options vest in full on October 10, 2006 and may be exercised between October 10, 2006 and October 10, 2007 with an exercise price of (euro)21.87. For both plans, if an optionholder terminates his or her employment due to disability, retires or dies, his or her options will vest in proportion to the time he or she has been continuously employed by us. For both plans, no options granted under this plan may be transferred by the optionholder other than by will or the laws of intestacy. Stock options granted under both plans are governed by the laws of France (specifically, articles L225.177 through L225.185 of the French Code de Commerce). Any Sodexho Alliance shares or Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

Our Board of Directors approved the Sodexho Alliance Stock Option Plan A on January 11, 2002. The granting of stock options to our employees under this plan had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 21, 2000. Options under this plan will be valid from January 11, 2002 to January 10, 2007 and will be granted to our employees primarily located outside of the United States. The options granted under Plan A vest in full four years from the date of grant and may be exercised between January 11, 2006 and January 10, 2007. If an optionholder terminates his or her employment due to disability, retires or dies, his or her options will vest in proportion to the time he or she has been continuously employed by us.

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No options granted under this plan may be transferred by the optionholder other than by will or the laws of intestacy. Approximately 475 of our employees were granted options pursuant to this plan. Plan A stock options are governed by the laws of France (specifically, articles L225.177 through L225.185 of the French Code de Commerce).

54

On January 11, 2002, our Board of Directors approved the Sodexho Alliance Stock Option Plan B, under which options will be granted to employees of Sodexho, Inc. and its affiliates. The issuance of shares to our employees under this plan had been previously approved by our shareholders at our Extraordinary Shareholders' Meeting of February 21, 2000. Options in Sodexho Alliance shares granted under this plan vest in full four years from the date of grant, and optionholders may exercise the options they receive during the two-year period between January 11, 2006 and January 10, 2008. If an optionholder terminates his or her employment due to disability, retires or dies, his or her options will vest in proportion to the time he or she has been continuously employed by us. No options granted under this plan may be transferred by the option holder other than by will or the laws of intestacy. Approximately 772 of our employees were granted options pursuant to this plan. Any Sodexho Alliance shares or Sodexho Alliance shares underlying any American Depositary Shares to be delivered to Sodexho, Inc. optionholders will be purchased by Sodexho Alliance on the open market.

At the Extraordinary Shareholders' Meeting of February 13, 1996, our shareholders renewed the authorization given to our Board at the February 23, 1993 Extraordinary Shareholders' Meeting to issue shares to our employees through an employee stock ownership plan, the InterEnterprise Mutual Fund. Pursuant to this authorization, our Board of Directors has approved a separate stock ownership plan in each of the years between 1996 and 1999, inclusive, funded through market repurchases of our shares on the Paris Bourse. In December 2000, the Board authorized new issuances of shares to employees participating in our international employee stock ownership plan.

In addition, in 2001 we created the Sodexho Alliance International Employee Stock Ownership Plan in which approximately 150,000 employees of Sodexho Alliance and Sodexho Alliance's majority-owned subsidiaries were eligible to participate. This plan was open for cash contributions from April 23, 2001 until September 19, 2001, and it offered two options to subscribe for shares. The first, called Alliance Plus, allowed employees to invest up to 2.5% of their gross annual pay. Each cash contribution was matched on a non-recourse basis by an unaffiliated bank with an additional contribution equal to nine times the employee's investment to be used towards the purchase of additional shares. If the stock appreciates in value during the term of the plan, the employees repay the matching funds to the bank and a portion of the stock's appreciation from the proceeds of the sale of the stock. If the stock depreciates in value, the employee is not responsible for reimbursing the bank for its loss. Under the second plan, called Alliance Classic, employees were given the option of investing up to 25% of their gross annual compensation towards the purchase of shares at a discount to fair market value. The two plans were not mutually exclusive, and employees could select a combination of the two for investment. Under both plans, employee investments cannot be withdrawn without penalty for a period of five years from the time of investment. The employee in both cases benefited from a discount of up to 20% of the fair market price of our shares at the time the shares were issued. On October 18, 2001, the Board of Directors issued 1,385,848 shares with a par value of (euro)4 each and an issue price of (euro)44.10 per share for United States employees and (euro)41.51 for other employees.

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As of August 31, 2005, 28,270 employees held 2,390,964 Sodexho Alliance shares, representing 1.5% of the outstanding shares of Sodexho Alliance.

Prior to our acquisition of the portion of SMS we did not already own in June 2001, approximately 6.4 million SMS stock options had been granted under the SMS 1998 Stock Incentive Plan, 2.7 million of which were vested and 3.7 million of which were unvested at the time of the acquisition. Under the terms of this plan, SMS stock options were granted to officers and key employees at an exercise price not less than the market price of SMS stock on the date of grant. Most of the SMS options vest 25% each year during the four years following the date of grant and expire ten years following the date of grant. If an SMS optionholder dies during his or her employment, all such person's SMS stock options become fully vested and may be exercised up to one year after his or her death to the extent vested at the time of his or her death. In the event an SMS employee is terminated, such employee's SMS stock options may be exercised up to three months after the date of his or her termination to the extent vested at the time of his or her termination. No SMS stock option may be transferred by the optionee other than by will or the laws of intestacy.

Certain members of SMS's management received restricted stock units in connection with their employment. These units have vested 25% each year during the four years following the date of the grant. During fiscal 2005 all units vested. Pursuant to their vesting, restricted stock units were converted into the right to indirectly receive our ordinary shares or our ADSs.

55

Pursuant to the terms of our agreement to acquire the 53% of Sodexho, Inc. we did not already own, vested SMS stock options were cancelled in exchange for a cash payment equal to the option spread (i.e., the difference between the exercise price and the tender price offered by us for SMS shares), and unvested SMS stock options were converted into the right to indirectly purchase our ordinary shares or our ADSs. The unvested restricted stock units were converted into the right to indirectly receive, pursuant to their vesting, our ordinary shares or our ADSs. Any Sodexho Alliance shares or Sodexho Alliance shares underlying any American Depositary Shares to be delivered to SMS optionholders will be purchased by Sodexho Alliance on the open market.

As of August 31, 2005, 3,189 members of management held 7,128,825 options to purchase Sodexho Alliance shares, representing 4.5% of the shares of Sodexho Alliance on a fully-diluted basis.

56

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Below is a diagram illustrating our ownership as of January 31, 2006.

[GRAPHIC OMITTED]

* Includes 3.57% held by Caisse des Depots et Consignations and 10.09% held by Arnhold and S. Bleichroeder.

The following shareholders known to management to beneficially own 5% or more of our shares: Bellon SA, a French company controlled by our chairman, Pierre Bellon, and members of his family, the Caisse des Depots et Consignations, a French bank and Arnhold and S. Bleichroder, on behalf of several funds it manages, including First Eagle Fund, Inc. As of January 31, 2006, Bellon SA beneficially owned 58,572,917 shares of the company (representing approximately 36.83% of our outstanding share capital and 41.74% of the voting power relating to our outstanding share capital), and Pierre Bellon and his children beneficially owned approximately 68.5% of the outstanding capital stock of Bellon SA. As of the same date, Bernard Bellon and other members of the Bellon family owned 13% of the outstanding capital stock of Bellon SA. As of the same date, Sofinsod, one of our wholly-owned subsidiaries, held an indirect interest of approximately 6.8% in Sodexho Alliance, SA through its direct interest of approximately 18.5% in Bellon SA, pursuant to the merger with Societe Financiere de la Porte Verte. Excluding the Bellon SA shares owned by our subsidiaries, as of January 31, 2006, Pierre Bellon and his children owned 84.10% of the outstanding capital stock of Bellon SA, and Bernard Bellon and other members of the Bellon family owned 15.90% of such stock.

As of January 31, 2006, the Caisse des Depots et Consignations owned 3.57% of outstanding shares and 4.90% of voting rights. As of January 31, 2006, Arnhold and S. Bleichroeder owned 10.09% of outstanding shares and 9.08% of voting rights.

To management's knowledge, there have not been any significant changes in Bellon SA's ownership interest in Sodexho Alliance during the past three years, and there are no agreements granting Bellon SA or any other shareholder different voting rights from our other shareholders. As disclosed in "Item 10.B. Additional Information -- Memorandum and Articles of Association Relating to Shares," a double voting right is granted to all holders of fully-paid registered shares when those shares have been registered for more than four years in the name of the same shareholder.

As of August 31, 2005, our shares were owned by approximately 56,935 shareholders, including approximately 28,270 people acquiring their shares through our various employee stock ownership plans (together, our employees own approximately 1.50% of our outstanding capital stock). French citizens hold approximately 27.24% of our shares, while French institutional investors hold approximately 19.64% of our shares. To the best of our knowledge and after having made reasonable inquiries, as of August 31, 2005, foreign shareholders held approximately 32.27% of our shares. This figure may not be entirely accurate because we can obtain only limited information regarding the beneficial owners of our shares.

We are not directly or indirectly owned or controlled by another corporation, other than Bellon SA, or by any government or other natural or legal person.

B. Related Party Transactions

To management's knowledge, since September 1, 2002 no loans have been made by Sodexho Alliance, Bellon SA or any of their subsidiaries to or for the benefit of key Sodexho Alliance management personnel or close members of their families, Bellon SA, any of its affiliates or any other enterprise in which a substantial interest in the voting power is owned, directly or indirectly, by any of the foregoing persons or entities.

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In the course of our business, we have occasionally entered into contracts with certain of our affiliates. The material terms of those material affiliate contracts which are currently in force or have been in force during some portion of the last three fiscal years are described below.

On December 30, 1991, we entered into an agreement with Felix Bellon SA, the predecessor of Bellon SA, for consulting and advisory management services. The contract renews automatically every year, but it can be terminated on three months' notice by either party. Amounts invoiced under this contract totaled (euro)4 million in fiscal 2005.

In fiscal 2003, Mr. Douce, a former Director of Sodexho Alliance, invoiced Sodexho Alliance (euro)32,260 for services rendered as a speaker at Sodexho Management Institute.

In fiscal 2003, Sodexho Alliance acquired the remaining 23.16% of the shares of Sodexho Pass do Brazil from its minority shareholders, including Bellon S.A., for (euro)27.6 million. In fiscal 2004, the Group acquired the remaining shares of Sodexho do Brazil from Bellon S.A., for (euro)3 million.

58

A list of Sodexho Alliance, SA's intercompany loans, advances, deposits and guarantees outstanding, other than those with wholly-owned subsidiaries, as of August 31, 2005 is provided below.

	Loans and advances given and outstanding as of August 31, 2005	Amount of deposits and guarantees given and outstanding as of August 31, 2005	Largest outsta of e Aug 2005, 20
(thousands of euro)			
French subsidiaries			
Societe Marseillaise de restauration et de services			
Sogeres Holding			
Sodexho Pass International	85	1,464	1
Universal Sodexho SAS	53		
STNB		590	
Sodexho France SAS	76	1,500	
Universal Sodexho Afrique		2,246	
Other	6		
Foreign subsidiaries			
Sodexho Hellas	69		
Sodexho Tanzanie	3		
Sodexho Pass Chili			
Spirit Cruises			
Sodexho Chili	27	5,573	
Sodexho Healthcare Services Ltd			3
Sodexho Ltd			6
Siges Chili		8,198	
Sodexho Education Services Ltd			1
Sodexho Defence Services Ltd			2
Sodexho Holdings Ltd		14,954	1
Sodexho Malaysia		174	

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Sodexho Gabon			
Primary Management Aldershot			
Universal Sodexho Partnership			
Harmondsworth		26,358	
Sodexho Argentina	10	845	
Universal Sodexho Scotland			
Sodexho Luxembourg		274	
Sakhalin Support Services			
Rugby Hospitality 2003			
Kelvin Catering Ltd			
Universal Services Europe Ltd			
Universal Sodexho Norway			
Sodexho Maroc	16	182	
PT Universal Ogden Indonesia			
Other	24		
Foreign affiliates			
Serco Sodexho Defense Services			
	----	-----	----
TOTAL	369	62,358	29
	====	=====	====

59

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

See Item 17.

Legal Proceedings

On March 8, 2001, ten current and former employees of Sodexho, Inc., the majority of whom had worked for Marriott Management Services, Inc. (later known as Sodexho Marriott Services, Inc., and now known as Sodexho, Inc.) filed a lawsuit against Sodexho, Inc. in the U.S. District Court for the District of Columbia, alleging that they and other African-American salaried employees were discriminated against in promotions on the basis of their race. On June 25, 2002, the district court certified the case as a class action for purposes of determining liability. On April 27, 2005, Sodexho, Inc. agreed to settle the lawsuit in order to avoid protracted legal proceedings, but without admitting liability. The judge subsequently approved the settlement on August 10, 2005. Under the terms of the settlement, Sodexho, Inc. committed to make monetary payments to eligible class members and to the class' attorneys for a total amount of up to \$80 million, as well as to continue to promote its diversity programs. The Group anticipates that these payments will be made during the second half of fiscal 2006. A supplementary exceptional provision of \$78 million ((euro)61 million) has been recognized in the financial statements for fiscal 2005, to cover settlement payments and defense costs net of insurance. This settlement had a net negative impact of (euro)38 million on the consolidated income statement for the year ended August 31, 2005.

Following an investigation into the financial condition of Banco Santos by the intervenor representing the Central Bank of Brazil, Sodexho Pass do Brazil is involved in disputes with Banco Santos and a mutual fund concerning the

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existence of balances outstanding for the principal amount of (euro)18 million. Sodexho Pass do Brazil and Banco Santos have each commenced legal proceedings against the other in this matter. Sodexho Pass do Brazil vigorously denies that it owes any amounts in connection with these balances.

We are involved in a number of other legal proceedings incidental to the normal conduct of our business. We do not believe that liabilities relating to these proceedings are likely to be, in the aggregate, material to our business or our consolidated financial position.

Dividends

We have paid dividends in each year since 1976. The payment and amount of dividends depend on our earnings and financial condition and other factors that our Board of Directors deem relevant. Dividends are recommended by our Board and are then voted on by the shareholders at the shareholders' ordinary general meeting. We have paid dividends in euro since 2000.

Dividends paid to holders of American Depositary Shares (ADSs) or Sodexho Alliance shares who are not residents of France will generally be subject to French withholding tax at a rate of 25%. Investors in our ADSs or shares are strongly recommended to read the section of this prospectus entitled "Item 10E - Additional Information - Taxation" for information on the consequences of such abolition and to consult their own advisors with respect to the tax consequences of an investment in ADSs or shares.

60

The table below sets forth, for the fiscal years indicated, the amount of dividends declared per share excluding the French avoir fiscal and the amount of dividends declared per share including the French avoir fiscal (before deduction of applicable French withholding tax). Dividends declared for a given fiscal year are paid in the following fiscal year.

Year(1) (2)	Dividend per share excluding avoir fiscal		Dividend per share including avoir fiscal		Shares outstanding at the date of payment
	(euro)	\$	(euro)	\$	
2001.....	0.56	0.51	0.84	0.77	158,945,502
2002.....	0.61	0.60	0.915	0.90	159,021,416
2003.....	0.61	0.67	0.915	1.00	159,021,565
2004 (3).....	0.70	0.84	-	-	159,026,413
2005 (3).....	0.75	0.91	-	-	159,026,413

-
- (1) Pursuant to French law, payment of dividends must be made within nine months following the end of the fiscal year to which they relate.
 - (2) The amounts listed in this table have been adjusted retroactively, where appropriate, to reflect the four-for-one stock split effective March 7, 2001.
 - (3) Effective for dividends paid after January 1, 2005, there is no longer a right to a tax credit (avoir fiscal).

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B. Significant Changes

Not applicable.

ITEM 9. THE OFFER AND LISTING

A. Listing Details

The principal trading market for our common shares, which have a par value of (euro)4 each, is Euronext Paris (formerly the Paris Bourse), where they have been listed since 1983. From 1998 until 2005, our shares were included in the CAC 40 benchmark index of Euronext Paris. The table below sets forth, for the periods indicated, the reported high and low prices and average daily trading volume (in shares) for our outstanding shares on Euronext Paris and its predecessor, the Paris Bourse (all amounts have been restated to reflect stock splits).

Our Articles of Association (statuts) provide that fully-paid common shares may be held in either registered or bearer form at the option of the shareholders.

Prior to the listing of our shares on the New York Stock Exchange, effective April 3, 2002, there was no public trading market in the United States for our shares or the ADSs. ADS trading volumes from September 1, 2004 through January 31, 2006 averaged 6,300 shares per day.

Fiscal Year	High	Low	Average daily trading volume (in shares)
2001	60.10	41.13	397,875
2002	55.75	25.10	574,261

61

Fiscal Year	High	Low	Average daily trading volume (in shares)
2003	30.83	17.95	683,519
2004	28.15	20.16	812,089
2005	29.78	19.40	698,542

Fiscal Year	High	Low	Average daily trading volume (in shares)
2004	(euro)	(euro)	
First Quarter.....	28.15	21.68	832,502
Second Quarter.....	26.72	23.10	764,039
Third Quarter.....	27.16	20.54	984,526
Fourth Quarter.....	24.00	20.16	674,755
2005	(euro)	(euro)	
First Quarter.....	23.61	19.40	773,291
Second Quarter.....	24.82	21.81	797,456
Third Quarter.....	26.70	23.51	795,647
Fourth Quarter.....	29.78	25.23	427,774
May	26.57	24.92	525,828

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June	26.55	25.23	409,403
July	29.78	25.37	590,801
August.....	29.65	27.15	283,117
September.....	31.89	28.00	462,633
October.....	32.91	30.51	410,809
November.....	34.85	32.30	591,179
December.....	35.77	33.55	482,168
January.....	38.58	34.74	506,745

B. Plan of Distribution

Not Applicable.

C. Markets

See Item 9.A.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

62

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

We have only one class of share capital, consisting of common shares with a nominal value of (euro)4 per share. All of our outstanding shares are fully-paid. Our Articles of Association (statuts) provide that fully-paid shares may be held in registered or bearer form at the option of the shareholder. The most recent survey on August 31, 2005 found 28,109 identified holders of bearer shares and 1,109 holders of registered shares.

In accordance with French law concerning dematerialization of securities, the ownership rights of shareholders are represented not by share certificates but rather by book entries. We maintain a share account with Societe Generale for all shares in registered form, which is administered by Societe Generale. In addition, we maintain separate accounts in the name of each shareholder either directly or, at a shareholder's request, through the shareholder's accredited intermediary. Each shareholder account shows the name of the holder, the number of shares held and, in the case of shares held through an accredited intermediary, the fact that the shares are held through such intermediary. Societe Generale, as a matter of course, issues confirmation to each registered shareholder as to shares registered in the shareholder's account, but these confirmations are not documents of title.

Shares held in bearer form are held on the shareholder's behalf in an account maintained by an accredited intermediary and are registered in an account which the accredited intermediary maintains with Societe Generale. That account is separate from our share account with Societe Generale. Each

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accredited intermediary maintains a record of shares held through it and will issue certificates of registration for the shares it holds. Shares held in bearer form may only be transferred through accredited intermediaries and Societe Generale. Our statuts permit us to request that Societe Generale provide us at any time with the identity of the holders of our shares or other securities granting immediate or future voting rights held in bearer form and with the number of shares or other securities so held.

Our statuts do not contain any restrictions relating to the transfer of shares. Under French law, registered shares must be converted into bearer form before being traded on Euronext Paris and, accordingly, must be registered in an account maintained by an accredited intermediary. A shareholder may initiate a transfer by giving instructions to the relevant accredited intermediary. A fee or commission is payable to the broker involved in the transaction, regardless of whether the transaction occurs within or outside of France. No registration tariff is normally payable in France unless a transfer instrument has been executed in France.

As of August 31, 2005 and January 31, 2006, our share capital, as authorized in our statuts, was (euro)636,105,652, represented by 159,026,413 shares. Our Board updates our statuts regularly to take into account increases in share capital due to the issuance of shares in connection with employee stock ownership plans, the exercise of stock options, warrants and subscription rights and any conversion of convertible bonds. Between August 31, 2005 and January 31, 2006, we issued no shares for these purposes.

As of August 31, 2005 and January 31, 2006, we directly owned 3,436,300 and 2,633,620 shares, roughly 2.2% and 1.66% of total share capital, with face value (euro)4 per share and book value of (euro)4 per share. Sofinsod, one of our wholly-owned subsidiaries, holds an indirect interest of approximately 6.8% in Sodexho Alliance, SA through its interest of approximately 18.5% in the capital of Bellon SA pursuant to the merger with La Societe Financiere de la Porte Verte on September 1, 2003.

Equity-Linked Securities

On January 10, 2006, the Board of Directors issued 967,452 options.

On September 13, 2005, the Board of Directors issued 10,000 options.

On June 16, 2005, the Board of Directors issued 20,000 options.

On January 18, 2005, the Board of Directors issued 1,000,050 options.

On January 20, 2004, the Board of Directors issued 1,108,683 options.

63

On June 12, 2003, the Board of Directors issued 84,660 options.

On January 27, 2003, the Board of Directors issued 2,917,800 options. On September 17, 2002, the Board of Directors issued 12,000 options. On October 10, 2002, the Board of Directors issued 3,220 options.

At the Extraordinary Shareholders' Meeting of February 13, 1996, our shareholders authorized the Board to issue bonds with equity warrants in an aggregate face amount not to exceed (euro)304,898,000. On May 21, 1996, the Board approved the issue of (euro)304,898,000 in debt pursuant to this authorization at a face value of (euro)762 per bond. These bonds were redeemed

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in 2004. Each of the 400,000 issued bonds carried a warrant giving the right to subscribe one share of our common stock, without preemptive subscription rights, at a price of (euro)411.61 until June 7, 2004. Following our increase in share capital which took effect in December 1997, each warrant entitled the holder to subscribe for 1.02 shares of common stock for (euro)411.61. After the April 1998 bonus share issue, each warrant entitled the holder to subscribe for 4.08 shares per warrant. Following our four-for-one stock split effective March 7, 2001 and the capital increase in June 2001, each warrant currently entitles the holder to 16.66 shares per warrant. The exercise price remained unchanged at (euro)411.61 through June 7, 2004. In 2004, a total of 291 warrants were exercised and 4,848 shares were issued. The warrants expired on June 7, 2004 and were withdrawn from the market.

Changes in Share Capital

The table below indicates the changes in our share capital in the fiscal years ending August 31, 2002, 2003, 2004 and 2005 and in the period commencing August 31, 2005 and ending January 31, 2006, retroactively adjusted, where appropriate, to reflect our four-for-one stock split effective March 7, 2001. The warrants expired on June 7, 2004 and were withdrawn from the market.

Date	Shares outstanding before new issue	Type of transaction	Shares
October 18, 2001	157,559,654	International Employee Stock Ownership Plan (2)	1
December 10, 2001	158,945,502	Exercise of stock options (1)	
December 18, 2001	159,949,675	Exercise of warrants (1)	
January 11, 2002	158,952,174	Exercise of stock options (1)	
January 31, 2002	158,960,354	Exercise of warrants (1)	
February 25, 2002	158,960,370	Exercise of stock options (1)	
February 28, 2002	158,966,096	Exercise of warrants (1)	
April 17, 2002	159,017,326	Exercise of stock options (1)	
October 1, 2002	159,021,416	Exercise of warrants (1)	
February 28, 2004	159,021,565	Exercise of warrants (1)	
June 7, 2004	159,021,931	Exercise of warrants (1) (3)	

-
- (1) Please see our disclosure in this Annual Report on Form 20-F regarding our options and warrants.
- (2) Please see our description of the Sodexho Alliance International Employee Stock Ownership Plan described in "Item 6.E. Directors, Senior Management and Employees--Share Ownership" for the terms of this plan. These shares were issued to employees at a discount of 15% to 20%, depending upon the jurisdiction in which the shares were issued to our employees, from the fair market value of the shares at the time of issuance.
- (3) Pursuant to the notice issued on May 21, 1996 by Sodexho Alliance and approved by the French "Autorite des Marches Financieres" the warrants expired on June 7, 2004 and have been withdrawn from the market.

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At the Extraordinary Shareholders' Meeting of January 31, 2006, our shareholders authorized the Board to increase our issued capital on one or more occasions, at any time over the 26 month period from such date, by issuing common shares, warrants and share equivalents with or without preemptive subscription rights. The shareholders authorized these issuances to be funded in cash or by capitalizing reserves. The issuances of capital are subject to the following restrictions: share issues funded with cash may not exceed an aggregate par value of (euro)63,000,000 at any one time; issues of debt securities may not have the effect of increasing our indebtedness by more than (euro)540,000,000 and the aggregate par value of share issues funded by capitalizing reserves may not exceed the amount of treasury reserves. This authorization canceled the Extraordinary Shareholders' Meeting authorization of February 3, 2004 pertaining to the same subject matter.

At the Annual Shareholders' Meeting of January 31, 2006, our shareholders authorized the Board of Directors to repurchase shares of our stock for a period of 18 months from the date of the meeting. The maximum purchase price authorized for each share was (euro)45.00, and the maximum number of shares to be repurchased is an amount equal to 10% of the issued shares or the limits specified by law. The Board of Directors has not yet decided to implement this program.

At the Annual Shareholders' Meeting of February 8, 2005, our shareholders authorized the Board of Directors to repurchase shares of our stock for a period of 18 months from the date of the meeting. The terms of this repurchase program have been approved by the French Autorite des Marches Financiers. The maximum purchase price authorized for each share was (euro)40.00, and the maximum number of shares to be repurchased is an amount equal to 10% of the issued shares or the limits specified by law. Pursuant to this authorization, we purchased 977,349 shares on the open market during fiscal 2005.

B. Memorandum and Articles of Association

The following summary contains a description of the material provisions of our Articles of Association (statuts), which does not purport to be complete and is qualified in its entirety by reference to our statuts, an English translation of which is attached hereto as an exhibit, and French company law.

Registration and Corporate Purpose

Sodexho is a societe anonyme a Conseil d'Administration, a form of limited liability company established under French law. Our bylaws were registered in Versailles, France on December 31, 1974 under the number 301,940,219, Code APE 741 J.

Our objects and purposes are set out in Article 2 of our statuts. These include

- o studying and providing all services in connection with the organization of catering;
- o operating restaurants, bars, hotels and any business related to catering, the hotel industry, hotel services, tourism, leisure;
- o providing, in whole or in part, the services required for the operation, maintenance and management of office, commercial, industrial, leisure, health and educational establishments and buildings, and providing services connected with the operation and maintenance, in whole or in part, of facilities associated with the foregoing;
- o providing installation, maintenance, repair and replacement

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services related to any type of facility;

- o providing consultancy services and studying the economic, financial and technical aspects of all projects and services connected with the operation or organization of the above-mentioned businesses and, specifically, all transactions involving advice relating to the operation or organization of the above-mentioned businesses;
- o creating, purchasing and holding companies, irrespective of their corporate purpose; and

65

- o engaging in any business transactions directly or indirectly related to the foregoing or to any similar or related objects.

Directors

We are managed by a Board of Directors. The Board of Directors is invested with all permissible powers relating to third parties within the scope of our objects, subject to limitations prescribed by our shareholders and French law. Under French law, the Board of Directors prepares and presents the year-end accounts to the shareholders and convenes shareholders' meetings. In addition, the Board of Directors reviews and monitors our economic, financial and technical strategies.

The Board of Directors is composed of a minimum of three members and a maximum of 18 members appointed at the ordinary general meeting of the shareholders. The Board of Directors is authorized to act in all circumstances in the name of Sodexho Alliance, subject to our corporate purpose and to those powers granted by law or at shareholder meetings. Under French law, Directors are liable for violations of French legal or regulatory requirements applicable to societies anonymes, violation of our statuts or mismanagement. A Director may be held liable for such actions both individually and jointly with the other directors. The Executive Committee directs our general strategy and guides our international development.

The Directors' term of office was six years until February 5, 2002. This term was changed to three years at the Extraordinary Shareholders' meeting of February 5, 2002. Any Director may stand for reelection. A Director appointed to replace another Director whose term of office has expired can only remain in office for the remaining period of the term of office of his or her predecessor. Except in the event of termination of employment if the Director is a salaried employee, or in the event of resignation, removal or death, the term of office of a Director expires at the end of the ordinary general meeting held during the year in which the Director's term of office expires. Our statuts allow for the election of directors at staggered times. At the annual Meeting of Shareholders in February 2005, the Board of Directors membership increased by two, to a total of 14 Directors as follows: one director whose term expires in February 2005 has asked that his term not be renewed as he wished to retire from the Board; three of our directors' terms were renewed and three new directors were elected.

The Board of Directors elects a Chairman from among its members and may elect one or more Vice Chairmen. The Chairman must retire no later than the end of the ordinary general meeting of shareholders held in the year in which he or she reaches 85 years of age. The shareholders may, during the following ordinary general meeting, extend this age limit.

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Meetings of the Board of Directors, which are held as often as necessary, are normally convened and presided over by the Chairman or Vice Chairman. A quorum consists of one-half of the members of the Board of Directors, and decisions are taken by a vote of the majority of the members present or represented by other members of the Board of Directors. A Director may give a proxy to another Director but a Director cannot represent more than one other member at any particular meeting. Members of the Board of Directors represented by another member at meetings do not count for purposes of determining the existence of a quorum.

Transactions between Us and Our Directors

Any agreement between us and any one of the members of the Board of Directors that is not in the ordinary course of our business is subject to the prior authorization of the disinterested members of Board of Directors. The same applies to agreements between us and another company if one of the members of the Board of Directors is the owner, general partner, manager, director, general manager or member of the executive or supervisory board of the other company.

66

Directors' Compensation

The aggregate compensation of the Board of Directors is determined at the ordinary general meeting of the shareholders. The Board of Directors then divides up this compensation among its members. It may allocate exceptional compensation to some of its members for assignments undertaken by them. In addition, compensation may be granted to directors on a case-by-case basis for special assignments. The Board may also authorize the reimbursement of travel and accommodation expenses as well as other expenses incurred by Directors in the corporate interest.

Directors' Borrowing Powers

All loans or borrowings may be decided by the Board of Directors within the limits duly authorized by the ordinary general meeting of the shareholders.

Directors' Age Limits

The number of Directors having reached age 70 may not at any time exceed one-third of the total number of Directors in office. Any such Directors may remain in office only until the end of the next ordinary general meeting of shareholders. In the event that the number of Directors reaching the age of 70 during one year exceeds one-third of the total number of Directors in office, the order of retirement is decided by drawing lots during a meeting of the Board of Directors.

Directors' Share-Ownership Requirements

Each member of the Board of Directors must own at least four hundred of our shares.

Rights, Preferences and Restrictions Relating to Shares

We currently have one class of shares, consisting of common shares with a nominal value of (euro)4 per share. Our statuts provide that fully-paid shares may be held in registered or bearer form. Shares not fully-paid may be held in registered form only. The rights, preferences and restrictions attaching to the shares are set forth below.

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Dividend Rights

We may distribute dividends to our shareholders from net income in each fiscal year (after deductions for depreciation and provisions), as increased or reduced by any profit or loss carried forward from prior years and as reduced by the legal reserve fund described below, after payment of the initial dividend described below. These distributions are subject to applicable provisions of French law.

Under French law, we are required to contribute a minimum of 5% of our annual net income in each fiscal year, after a reduction for any losses carried forward from previous years, to a legal reserve fund. The obligation to make this minimum contribution ceases if and so long as we maintain a legal reserve equal to 10% of the aggregate nominal value of our issued share capital. The legal reserve is distributable only upon our liquidation. The remaining net income, increased by any profits carried forward, constitutes the distributable profits.

On the recommendation of the Board of Directors, shareholders may decide to carry forward all or part of any distributable profits remaining after payment of the initial dividend to the next fiscal year as retained earnings or to allocate them to (i) the creation of reserves; (ii) contingency funds for the purpose of total or partial redemption of our shares; or (iii) the shareholders as additional dividends. The Board of Directors may propose a dividend for approval by the shareholders at the ordinary general meeting.

Right of Inspection

Any shareholder has a right of access to all of our corporate documents (e.g., shareholder lists, corporate minutes, financial records) required to assess the management of the Company.

67

We must distribute dividends to our shareholders pro rata according to their shareholdings. Dividends are payable to holders of shares outstanding on the date of the shareholders' meeting approving the distribution of dividends, or, in case of interim dividend, on the date the Board of Directors meets and approves the distribution of interim dividends. The actual dividend payment date is decided by the shareholders at an ordinary general meeting or by the Board of Directors, if no decision is taken by the shareholders. We must pay any dividends within nine months of the end of the fiscal year unless otherwise authorized by court order. Under French law, dividends not claimed within five years of the date of payment are forfeited.

If proposed by the Board of Directors and decided at the ordinary general meeting, each shareholder may be granted at the ordinary general meeting a choice between payment of the dividend in cash or in shares, for all or for part of the dividend, according to the procedures set out under French law.

Voting Rights

Subject to the limitations on voting rights described below under "--Shareholders' Meetings" and "--Disclosure of Shareholdings," each shareholder is entitled to one vote per share at any general meeting of our shareholders. A double voting right is granted to holders of fully-paid registered shares when those shares have been registered for more than four years in the name of the same shareholder. Any share whose ownership is transferred (certain intra-family

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transactions excepted) or which is converted into a bearer share loses the right to the double vote. Double voting rights also attach to any shares issued by right to shareholders in proportion to the number of shares with double voting rights which such shareholders held prior to the issuance. Votes can be cast by proxy or by mail. Proxies can only be exercised by the shareholder's spouse or by another shareholder. Our statuts do not grant our shareholders the right to cumulate their votes when electing directors and French law does not automatically grant this right to shareholders.

Rights in the Event of Liquidation

In the event that we are liquidated, our assets remaining after payment of our debts, liquidation expenses and all of our remaining obligations will be distributed to repay the nominal value of our shares in full. Any surplus will then be distributed pro rata among our shareholders.

Preferential Right of Subscription

Under French law, shareholders have preemptive rights to subscribe for cash issuances of new shares or other securities giving rights, directly or indirectly, to acquire additional shares on a pro rata basis. A two-thirds majority of the shares entitled to vote at an extraordinary general meeting may vote to waive preemptive subscription rights with respect to any particular offering. French law requires that the Board of Directors and our independent auditors present reports that specifically address any proposal to waive preemptive subscription rights. In the event of a waiver, the issue of securities must be completed within the period prescribed by law. The shareholders may also decide at an extraordinary general meeting to give the existing shareholders a non-transferable preferential right to subscribe to the new securities, for a limited period of time. A two-thirds majority of the shares entitled to vote at an extraordinary general meeting may also grant to existing shareholders a non-transferable form of preemptive right to subscribe to any new securities that may affect our share capital. Shareholders may also notify us that they wish to waive their own preemptive subscription rights with respect to any particular offering if they so choose.

Preemptive subscription rights, if not previously waived, are transferable during the subscription period relating to a particular offering of shares and may be listed on Euronext Paris.

Redemption of Shares

Under French law, our Board of Directors is entitled to redeem a set number of shares as authorized by our shareholders at an extraordinary shareholders' meeting, provided that the capital reduction has not been undertaken in an attempt to mask the effect of losses. In the case of such an authorization, the shares redeemed must be cancelled within one month after the end of the offer to purchase such shares from shareholders. One notable exception to this rule, however, is that shares redeemed on the open market need not be cancelled if the company redeeming the shares grants options on or awards those shares to its employees within one year of the redemption.

68

Liability to Further Capital Calls

Shareholders are liable for corporate liabilities only up to the nominal amount of the shares they hold.

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Changes to Shareholders' Rights

A two-thirds majority vote at the extraordinary shareholders' meeting is required to change our statuts, which set out the rights attaching to our shares. The extraordinary shareholders' meeting may not increase shareholders' obligations, except in the event that different classes of shares are merged. However, in such case, any decision involving a change in the rights attaching to a class of shares shall be final only following its ratification by a two-thirds majority of a special meeting of the shareholders of the class concerned.

Shareholders' Meetings

In accordance with French law, there are two types of shareholders' general meetings: ordinary and extraordinary. Ordinary general meetings are required for matters such as the election of directors, the appointment of statutory auditors, the approval of annual accounts, the declaration of dividends and the issuance of debt. Extraordinary general meetings are required for the approval of matters such as amendments to our statuts, approval of mergers, increases or decreases in share capital, the creation of a new class of equity securities and the authorization of the issuance of investment certificates or securities convertible or exchangeable into equity securities.

Convocation of Meetings

The Board of Directors is required to convene an annual ordinary general meeting of shareholders, which must be held within six months of the end of our fiscal year, to approve the annual financial statements for the fiscal year. Other ordinary or extraordinary general meetings may be convened at any time during the year. Meetings of shareholders may be convened by the Board of Directors or, if the Board of Directors fails to call such a meeting, by our statutory auditors or by a court-appointed agent. The court may be requested to appoint an agent by (i) one or several shareholders holding at least 10% of our share capital; (ii) any interested party in emergency cases; or (iii) certain duly qualified associations of shareholders. The notice calling a meeting must state the matters to be considered at the meeting.

At least 30 days prior to the date set for any general meeting of shareholders, a preliminary notice must be sent to the Autorite des Marches Financiers ("AMF"), the administrative agency responsible for overseeing the French securities markets, and published in France in the Bulletin des Annonces Legales Obligatoires (bulletin of obligatory legal announcements) (the "BALO"). This preliminary notice must contain the agenda of the meeting and a draft of the resolutions to be considered. Within 10 days of the notice, one or several shareholders holding a specified percentage of shares (determined on the basis of a formula relating to capitalization) or a duly qualified association of shareholders holding a specified percentage of voting rights may propose additional resolutions to be voted on at the meeting. At least 15 days prior to the date set for a general meeting on its first call, and at least six days before any meeting's second call, notice must be sent by mail to all holders of registered shares who have held such shares for more than one month prior to the notice. Notice of the meeting shall also be given in a journal authorized to publish legal announcements in the administrative region (departement) in which we are registered, as well as in the BALO, with prior notice to the AMF. The notice must state the type, agenda, place, date and time of the meeting. No action may be taken at a meeting on any matter not listed on the agenda for that meeting, subject to exceptions relating to the dismissal of directors under certain circumstances and to certain miscellaneous matters.

Attendance of and Voting at Meetings

Attendance and the exercise of voting rights at general meetings of

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shareholders are subject to certain conditions. A holder of registered shares must have his shares registered in his own name in a shareholder account maintained by us or on our behalf at least five days prior to the meeting. A holder of shares in bearer form must obtain from the financial intermediary with whom the shares have been deposited a certificate indicating the number of bearer shares owned and attesting to the fact that the shares are not transferable until the time fixed for the meeting.

All shareholders who have properly registered their shares have the right to participate in general meetings, either in person or by proxy, and to vote either by proxy or by mail according to the number of shares they hold. Proxies will be sent to any shareholder on request, but they can only appoint the shareholder's spouse or another shareholder as proxy.

69

Any vote made by mail shall be deemed valid if received by us at least three days prior to the date of the meeting, but the attendance of the shareholder automatically cancels any proxy previously executed by that shareholder or any previous vote made by mail.

Under French law, shares of a company held by entities controlled directly or indirectly by that company are not entitled to voting rights, are not counted for quorum or majority purposes, and do not receive dividends.

Under French law, the presence in person or by proxy of shareholders holding an aggregate of not less than 20% (in the case of an ordinary general meeting or an extraordinary general meeting deciding upon any capital increase affecting reserves, such as a stock dividend) or 25% (in the case of any other extraordinary general meeting) of voting shares is necessary for a quorum. If a quorum is not reached at any meeting, that meeting is adjourned. There is no quorum requirement upon recommencement of an adjourned ordinary general meeting. Upon the reconvening of an extraordinary general meeting, the presence in person or by proxy of shareholders having not less than 20% of the eligible voting rights is necessary for a quorum, except when an increase in our share capital is proposed through the incorporation of reserves, profits or a share premium, in which case the quorum requirements are those applicable to ordinary general meetings.

At an ordinary general meeting or at an extraordinary general meeting deciding upon any capital increase by incorporation of reserves, a simple majority of the votes cast is required to pass a resolution. At any other extraordinary general meeting, a two-thirds majority of the votes cast is required to pass a resolution. However, a unanimous vote is required to increase the liabilities of shareholders. Abstention from voting by those present or represented by proxy is deemed to be a vote against the resolution submitted to a vote.

Limitation on Security Ownership

There is no limitation, under French law or in our statutes on the right of non-French residents or non-French security holders to own or, where applicable, to vote our securities.

Change in Control/Anti-Takeover

There are no provisions in the statutes that would have the effect of delaying, deferring or preventing a change in our control and that would operate only with respect to a merger, acquisition or corporate restructuring involving

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us or any of our subsidiaries. There also are not any provisions in our statuts that allow for the issuance of preferred stock upon the occurrence of takeover attempts or the addition of other "anti-takeover" measures without a shareholder vote.

Disclosure of Shareholdings

French law provides that any individual or entity, acting alone or in concert with others, that acquires, directly or indirectly, more than 5%, 10%, 15%, 20%, 25%, 33%, 50%, 66%, 90% or 95% of our shares or voting rights attached to our shares, or whose holdings fall below any of these thresholds, must notify us of the number of shares or voting rights that person or entity holds within five calendar days of the date the threshold has been crossed. The individual or entity must also notify the Autorite des Marches Financiers (financial markets authority) (the "AMF") within five Euronext Paris trading days of the date on which the threshold is crossed. If the shareholder fails to comply with this notification requirement, the shares or voting rights in excess of the relevant threshold will be deprived of voting rights or the voting rights will not be exercisable, as the case may be, for two years from the date on which the owner of the shares or voting rights complies with the notification requirement. In addition, any shareholder who fails to comply with the above requirements may have all or part of his voting rights suspended for up to five years by the Commercial Court at the request of our Chairman, any shareholder or the AMF, and may be subject to other penalties.

In addition to the requirements set out in French law, our statuts provide that every person or corporate body who acquires or ceases to hold, directly or indirectly, 2.5% or more of our shares must notify us within a period of 15 days from the date when the threshold is exceeded. If the shareholder fails to comply with the notification requirement, any shareholder holding at least 5% of the authorized capital can cause the shares in excess of this threshold to be deprived of voting rights for two years following the date of the notification.

In order to permit shareholders to give the notice required by law or by our statuts, we are obligated to publish information disclosing the total number of votes eligible to be cast at our annual ordinary general meeting in the BALO within 15 calendar days of the general meeting. In addition, if the number of eligible votes changes by at least 5% between two ordinary general meetings, we are required to publish the number of votes then available in the BALO

70

within 15 calendar days of the change and to provide the AMF with a written notice. In order to facilitate compliance with the notification requirements, a holder of ADSs may notify the Depositary, and the Depositary shall immediately forward the notification to us and the AMF.

Under the regulations of the AMF, and subject to limited exemptions, anyone acquiring 33 1/3% or more of the share capital or voting rights of a French listed company must initiate a public tender offer for the balance of our share capital (including, for these purposes, all securities convertible into or exchangeable for equity securities).

Changes in Capital

As of January 31, 2006 our share capital was (euro)636,105,652 million, divided into 159,026,413 shares at a par value of (euro)4 each, all fully-paid and of the same class. Pursuant to authorizations granted by the shareholders at previous meetings, see "Authorizations," we are entitled to increase this share

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capital under certain circumstances.

Pursuant to French law, our share capital may be increased only with the approval of the shareholders at an extraordinary general meeting upon the recommendation of the Board of Directors. Our share capital may be increased by the issuance of additional shares, by the issuance of a new class of equity securities or by an increase in the nominal value of the shares. The shareholders may delegate to the Board of Directors the powers required to effect in one or more stages (subject to the limitations provided by French law) any increase in share capital previously authorized by the shareholders. A reduction in our share capital can be accomplished either by decreasing the nominal value of the shares or by reducing the number of outstanding shares. The number of outstanding shares may be reduced either by an exchange of shares or by our repurchase and cancellation of shares.

C. Material Contracts

We are not currently party to any contract, nor have we been party to any contract within the last two years, which we believe to be individually material to our business or operations.

D. Exchange Controls

The French commercial code currently does not limit the right of non-residents of France or non-French persons to own and vote shares. However, non-residents of France must file an administrative notice with French authorities in connection with the acquisition of a controlling interest in our company. Under existing administrative rulings, ownership of 20% or more of our share capital or voting rights is regarded as a controlling interest, but a lower percentage might be held to be a controlling interest in some circumstances depending on factors such as the acquiring party's intentions and the acquiring party's ability to elect directors, and financial reliance on us by the relying party.

Under current French exchange control regulations, there are no limitations on the import or export of capital or on the amount of payments that may be remitted by us to non-residents. Laws and regulations concerning foreign exchange control do require, however, that all payments or transfers of funds (including payments of dividends to foreign shareholders) made by a French resident to a non-resident be handled by an accredited intermediary. In France, all registered banks and substantially all credit establishments are accredited intermediaries.

E. Taxation

The following discussion describes the material French and United States federal income tax consequences of the acquisition, ownership and disposition of ADSs or shares by a U.S. Holder (as defined below). The following summary is for general information only. It is not intended, and should not be construed, as legal or professional tax advice. This discussion is not exhaustive of all possible tax considerations. It does not purport to be a comprehensive description of all the tax considerations that may be relevant. This discussion does not address U.S. state, local and non-U.S. tax consequences (other than French tax consequences). The discussion applies only to U.S. Holders who hold ADSs or shares as capital assets for United States federal income tax purposes and it does not address special classes of holders, such as:

- o certain financial institutions;

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- o insurance companies;
- o dealers and certain traders in securities or foreign currencies;
- o persons holding ADSs or shares as part of a hedge, straddle, conversion or other integrated transaction;
- o persons whose functional currency for United States federal income tax purposes is not the U.S. dollar;
- o partnerships or other entities classified as partnerships for United States federal income tax purposes;
- o persons liable for the alternative minimum tax;
- o tax-exempt organizations or retirements plans, except to a limited extent under "French Taxation of US Holders of Our Ordinary Shares or ADSs - Taxation of Dividends";
- o persons that own or are deemed to own 10% or more of our voting stock;
- o persons who acquired ADSs or shares pursuant to the exercise of any employee stock option or otherwise as compensation; o persons that are not entitled to the benefits of the Convention between the US and France for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital of August 31, 1994 (the "Treaty"); or
- o persons whose ownership of our ordinary shares or ADSs is connected with the conduct of business through a permanent establishment or fixed base in France.

This discussion is based on the French Code General des Impots and the regulations enacted thereunder, the U.S. Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decision, final, temporary and proposed U.S. Treasury regulations, and the Treaty, all as currently in effect and subject to change, possibly with retroactive effect. This discussion is also based in part on representations by the depositary and assumes that each obligation provided for in, or otherwise contemplated by, the deposit agreement or any other related document will be performed in accordance with its terms.

In addition, this discussion below does not address any aspects of tax laws other than French tax laws or US federal income tax laws, the possible application of US federal gift or estate taxation, or the potential application of the alternative minimum tax.

Accordingly, holders and prospective holders of our ordinary shares or ADSs are strongly urged to consult their own tax advisers as to the specific consequences to them under French tax law, US federal income tax law, and other tax laws of the purchase, ownership, and disposition of our ordinary shares or ADSs, including, in particular, the effect of any state or local taxes or taxes other than French taxes and US federal income taxes.

As used herein, the term "U.S. Holder" means a beneficial owner of ADSs or shares that is, for United States federal income tax purposes:

- o a citizen or resident of the United States;
- o a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or
- o an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

In general, a U.S. Holder of ADSs will be treated as the holder of the underlying shares represented by those ADSs for United States federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

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The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. Holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rates of tax applicable to dividends received by certain non-corporate U.S. Holders. Accordingly, the analysis of the creditability of French taxes and the availability of the reduced tax rates for dividends received by certain non-corporate U.S. Holders of ADSs, each described below, could be affected by actions taken by parties to whom ADSs are pre-released.

72

The following discussion assumes that Sodexho is not, and will not become, a passive foreign investment company, as discussed below under "-Passive Foreign Investment Company Considerations."

Taxation of Dividends

In France, dividends are paid out of after-tax income.

The French Finance Law of 2004 has abolished the avoir fiscal and the precompte with respect to dividends paid to French individual shareholders as from January 1, 2005. French non-individual shareholders are no longer entitled to use the avoir fiscal attached to dividends paid on or before December 31, 2004 as from January 1, 2005. To compensate for the abolition of the avoir fiscal, the French Finance Law of 2004 provides that, for dividends paid as from January 1, 2005, French individual residents will be taxed only on 50% of the dividends received by them and will be entitled to a tax allowance equal to (euro)1,220 or (euro)2,440, depending on the marital status of the holder. In addition, such shareholders will be entitled to a new tax credit equal to 50% of the dividend received by them, capped at (euro)115 or (euro)230 depending on the marital status of the holder. The French Finance Law of 2005 provides that, for dividends paid as from January 1, 2006, French individual residents will be taxed only on 40% of the dividends received by them and will be entitled to a tax allowance equal to (euro)1,525 or (euro)3,050, depending on the marital status of the holder. In addition, such shareholders will be entitled to a new tax credit equal to 50% of the dividend received by them, capped at (euro)115 or (euro)230 depending on the marital status of the holder.

Under French domestic law, dividends paid to non-residents are normally subject to a 25% withholding tax.

Under the Treaty, the rate of French withholding tax on dividends paid to a U.S. Holder whose ownership of ADSs or shares is not effectively connected with a permanent establishment or a fixed base in France is reduced to 15%. Dividends paid to an Eligible U.S. Holder and an Eligible Tax Exempt Holder, each as defined below, will be subject to the reduced rate of 15% at the time of payment, provided that such holder establishes before the date of payment that such holder is a resident of the United States under the Treaty in accordance with the procedures described below. As a consequence of the enactment of the provisions of the French Finance Law of 2004 mentioned above, non-individual Eligible U.S. Holders are no longer entitled to claim a refund of the avoir fiscal for dividends paid as from January 1, 2004 and individual Eligible U.S. Holders are no longer entitled to claim a refund of the avoir fiscal for dividends paid as from January 1, 2005. However, according to the French Guidelines 5-I-2-05 released on August 11, 2005, an individual Eligible U.S. Holder will be entitled to a tax credit equal to 50% of the received distribution, capped at (euro) 115 or (euro) 230 according to the taxpayer's family status. This tax credit is charged to the tax due or is reimbursed less a

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15% withholding tax. Procedures for claiming the payment in respect of the new tax credit mentioned above for dividends paid as from January 1, 2005 have yet to be published.

An Eligible U.S. Holder is a U.S. Holder whose ownership of ADSs or shares is not effectively connected with a permanent establishment or fixed base in France and who is (1) an individual or other non-corporate holder that is a resident of the United States as defined pursuant to the provisions of the Treaty, (2) a United States corporation, other than a regulated investment company, (3) a United States corporation, which is a regulated investment company, provided that less than 20% of its shares are beneficially owned by persons who are neither citizens nor residents of the United States or (4) a partnership, or trust that is treated as a resident of the United States as defined pursuant to the provisions of the Treaty, but only to the extent that its partners, beneficiaries or grantors would qualify under clause (1) or (2) above.

An Eligible Tax-Exempt Holder is a tax-exempt United States pension fund or other tax-exempt entity (including certain state-owned institutions, not-for-profit organizations and individuals with respect to dividends beneficially-owned by such individuals and derived from an investment in a tax-favoured retirement account) who is nonetheless eligible for the reduced withholding tax rate of 15% provided for by the Treaty subject to certain formalities.

Dividends paid to an Eligible U.S. Holder will be subject to the reduced withholding tax rate of 15% at the time the dividend is paid if (i) such holder duly completes and provides the paying agent with the relevant Treasury Form RF1 A EU-No. 5052 (the "Form") before the date of payment of the relevant dividend, or (ii) if such holder duly completes and provides the institution in charge of the management of the stock account (etablissement gestionnaire du compte-titres) with a simplified certificate (the "Certificate") in accordance with the French Guidelines 4 J-1-05 released on February

73

25, 2005. Dividends paid to any U.S. Holder that has not filed the relevant completed form or Certificate before the dividend payment date will be subject to French withholding tax at the rate of 25%. Such holder may claim a refund of the excess withholding by completing and providing the French tax authorities with the relevant form before December 31st of the year following the year during which the dividend is paid.

The forms or the Certificate, together with their respective instructions, are available from the United States Internal Revenue Service and at the Centre des Impots des Non-Residents (9, rue d'Uzes, 75094 Paris Cedex 2, France). The depositary will provide to all U.S. Holders of ADRs the forms or Certificate, together with the respective instructions, and will arrange for the filing with the French tax authorities of all forms and Certificates completed by U.S. Holders of ADRs and returned to the depositary within sufficient time. Procedures for claiming the payment in respect of the new tax credit mentioned above for dividends paid as from January 1, 2005 have yet to be published.

Distributions received by a U.S. Holder on ADSs or shares, other than certain pro rata distributions of shares, will constitute foreign-source dividend income to the extent paid out of Sodexho's current or accumulated earnings and profits as determined for United States federal income tax purposes. The amount of this dividend will include any amounts withheld in respect of French taxes. Subject to applicable limitations that may vary

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depending upon a U.S. Holder's individual circumstances and the discussion above regarding concerns expressed by the U.S. Treasury, dividends paid to certain non-corporate U.S. Holders in taxable years beginning before January 1, 2009 will be taxable at a maximum rate of 15%. Non-corporate U.S. Holders should consult their own tax advisers to determine whether they are subject to any special rules that limit the availability of these rates. The dividend will not be eligible for the dividends-received deduction generally allowed to corporate U.S. Holders. Such dividends will constitute passive income or, in certain cases, financial services income for foreign tax credit purposes.

Dividends paid in euro will be included in a U.S. Holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of the U.S. Holder's (or in the case of ADSs, the depositary's) receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, the U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the amount of such dividend is not converted into U.S. dollars on the date of its receipt.

French taxes withheld from dividends on ADSs or shares at a rate not exceeding the rate provided in the Treaty will generally be creditable against a U.S. Holder's United States federal income tax liability, subject to applicable restrictions and limitations that may vary depending upon the U.S. Holder's circumstances and the discussion above regarding concerns expressed by the U.S. Treasury. Instead of claiming a credit, a U.S. Holder may elect to deduct French withholding taxes in computing its taxable income, subject to generally applicable limitations. U.S. Holders should consult their own tax advisers to determine whether they are subject to any special rules that limit their ability to make effective use of foreign tax credits.

Taxation of Capital Gains

Under the Treaty, French tax generally will not be levied on any capital gain derived from the sale of ADSs or shares by a U.S. Holder eligible for the benefits of the Treaty.

A U.S. Holder will generally recognize capital gain or loss on the sale or other disposition of ADSs or shares, which will be long-term capital gain or loss if the holder has held such ADSs or shares for more than one year. The amount of the U.S. Holder's gain or loss will be equal to the difference between the amount realized on the sale or other disposition and such holder's tax basis in the ADSs or shares, as determined in U.S. dollars. Any gain or loss will generally be U.S.-source for foreign tax credit purposes.

French Estate and Gift Taxes

Under "The Convention Between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to taxes on Estates, Inheritance and Gifts of November 24, 1978," a transfer of ADSs or shares by gift or by reason of the death of a U.S. Holder that would otherwise be subject to French gift or inheritance tax, respectively, will generally not be subject to French tax unless (1) the donor or the transferor is domiciled in France at the time of making the gift, or at the time of his or her death, or (2) the ADSs or shares were used in, or held for use in, the conduct of a business through or pertaining to a permanent establishment fixed base in France. Prospective investors in shares or ADSs should consult their own advisors as to the

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applicability of the November 24, 1978 Convention mentioned above, and in particular as to the interpretation of article 8 of said Convention.

French Wealth Tax

The French wealth tax does not apply to any U.S. Holder that is not an individual or, in the case of natural persons, who owns alone or with their parents, directly or indirectly, ADSs or shares representing the right to less than 25% of our profits. Prospective investors in shares or ADSs should consult their own advisors as to the applicability of the Treaty and in particular to the interpretation of its article 23.

Passive Foreign Investment Company Considerations

Sodexho believes that it was not a passive foreign investment company ("PFIC") for United States federal income tax purposes for the taxable year ended August 31, 2005. However, because PFIC status depends upon the composition of a company's income and assets and the market value of its assets from time to time, there can be no assurance that Sodexho will not be considered a PFIC for any taxable year. If Sodexho were treated as a PFIC for any taxable year during which a U.S. Holder held ADSs or shares, certain adverse United States federal income tax consequences could apply.

U.S. Information Reporting and Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and to backup withholding unless the U.S. Holder is a corporation or other exempt recipient or, in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's United States federal income tax liability and may entitle the holder to a refund, provided that the required information is furnished to the United States Internal Revenue Service.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

We are subject to the information requirements of the Securities Exchange Act of 1934 (the "Exchange Act") except that, as a foreign issuer, we are not subject to the proxy rules under Section 14 of the Exchange Act and our officers, directors and principal shareholders are not subject to the insider short-swing profit disclosure and recovery provisions under Section 16 of the Exchange Act. In accordance with the Exchange Act reporting requirements applicable to us, we file annual reports on Form 20-F with and submit certain information on Form 6-K, including our quarterly revenue announcements and our semi-annual profit and loss information (both of which will be prepared in accordance with French GAAP and generally will not include a reconciliation to U.S. GAAP), to the United States Securities and Exchange Commission (the "SEC"). The information that will be filed on Form 6-K will be substantially less detailed than interim financial statements required of a domestic registrant pursuant to Article 10 of Regulation S-X. You may read and copy any document

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that we file at the Public Reference Room of the SEC at 450 Fifth Street, NW, Washington, D.C. 20549 and view them on line at www.sec.gov. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also inspect our filings at the regional offices of the SEC located at Citicorp, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and at 233 Broadway, New York, New York 10279 and view them on-line at www.sec.gov. To provide shareholders with regular information about our businesses, financial results and share price, we also offer our annual report in French and English, including the "Reference Document" filed with the AMF. You may request a copy of the aforementioned filings and annual report at no cost by writing or telephoning the offices of Sodexho Alliance, SA, attention Jean-Jacques Vironde, Investor Relations, 3, avenue Newton, 78180 Montigny-le-Bretonneux, France. Our telephone

75

number for these requests is 011-33-0-1-30-85-72-03, our fax number is 011-33-0-1-30-85-51-81 and our e-mail address is jean-jacques.vironde@sodexhoalliance.com.

I. Subsidiary Information

Not Applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate and foreign exchange rate risks associated with underlying assets and liabilities. We manage this exposure as it pertains to our borrowings through the use of interest rate, currency and cross-currency derivative contracts. These swap contracts are entered into with major high credit quality institutions, in accordance with procedures and within limits approved by our Board of Directors. Our policy is not to use derivative contracts for any other purpose than hedging our financial exposures.

Foreign Exchange Risk Exposure

Foreign exchange risk exposure arises from the possibility that changes in foreign currency exchange rates will impact the value of revenues, expenses, assets and liabilities denominated in foreign currencies. Our results of operations, financial position, and cash flows are directly dependent on the periodic monitoring and adjustment of the balance of assets and liabilities in each of our main operating currencies, which are the euro, the U.S. dollar and the British pound sterling. The impact of fluctuations in exchange rates is mitigated to a large extent by the fact that within each of our subsidiaries, revenues and the related expenses are generally denominated in the same currency. In order to match the cash flows pertaining to borrowing instruments held by our subsidiaries with the revenues to which they relate, we occasionally enter into currency or cross-currency swap contracts.

Interest Rate Exposure

In accordance with our policy, we may borrow at variable rates and use interest rate swaps in order to fix future interest payments, effectively converting borrowings from floating to fixed rates. As of August 31, 2005, including the effect of interest and cross-currency swap agreements, approximately 71% of our borrowings were at fixed rates, with an average interest rate of 5.3%.

Sensitivity Analysis

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A hypothetical strengthening or weakening by 10% in the value of the dollar relative to the euro would have resulted in an increase or decrease, respectively, of our fiscal 2005 net income by approximately (euro)3 million. A hypothetical strengthening or weakening by 10% in the value of the British pound sterling relative to the euro would have resulted in an increase or decrease, respectively, of our fiscal 2005 net income by approximately (euro)1 million.

A hypothetical increase of 1% in average interest rates would have resulted in an increase in fiscal 2005 interest expense of approximately (euro)5.2 million on our variable rate borrowings.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not Applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not Applicable.

76

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). As discussed in Note 5, the Group restated its French GAAP to U.S. GAAP reconciliation of shareholders' equity and net income as of and for the years ended August 31, 2004, 2003, 2002 and 2001. The restatement principally related to the Group's determination that incremental goodwill and intangible assets recognized under U.S. GAAP as from fiscal 2001 and continuing in subsequent years for certain acquisitions should have been recorded in the functional currency of the related entity and errors in the accounting for pension and other post-retirement benefit plans and other adjustments which mainly related to the accounting for debt issuance costs as from the year ended August 31, 2001 and also carrying through to subsequent years. These errors were identified as a result of the implementation of IFRS which will become the Group's primary reporting GAAP effective for fiscal 2006.

The Group has identified the need to reinforce documentation and the skills and competencies of its financial teams both within its subsidiaries and centrally, including the number of personnel with technical expertise in the area of financial reporting. During fiscal 2005 the Group successfully recruited a number of additional finance and accounting personnel. The Group intends to continue during fiscal 2006 to reinforce these skills and competencies.

As a result, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures were effective to provide reasonable

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assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

French Descriptive Report on Internal Controls

Under French law, we are required to publish descriptions of the material elements of our internal controls on financial and accounting information. The French report, which is included in our Document de Reference for the year ending August 31, 2005, is not the equivalent of the report we will be required to file under the Sarbanes-Oxley Act of 2002 beginning with the annual report to be filed for the year ending August 31, 2006. An English translation of our French report is available on the Group's website, www.sodexho.com.

ITEM 16A. Audit Committee Financial Expert

Our Board of Directors has determined that Mr. Robert Baconnier, who serves on the audit committee, has the background and qualifications necessary to be considered an audit committee financial expert.

ITEM 16B. Code of Ethics

In 2003, the Board of Directors adopted a written Code of Conduct for Senior Managers. Each of Sodexho Alliance's senior financial managers, including the Group's Chief Executive Officer, Chief Financial Officer, Chief Accountant, and others performing similar functions, signed a statement acknowledging his or her compliance with the Code. The full text of the Code of Conduct is available on Sodexho Alliance's internet website at www.sodexho.com/sodexhocorp/en/permanent_elements/library.

77

ITEM 16C. Principal Auditor Fees and Services

(millions of euros)	PricewaterhouseCoopers				Amount
	Amount		Percentage		
	Fiscal 2005	Fiscal 2004	Fiscal 2005	Fiscal 2004	Fiscal 2005
Audit and audit-related:					
Audit fees	5.9	4.1	89%	78%	3.8
Audit-related fees	0.4	0.1	6%	2%	0.1
Total audit and audit-related fees	6.3	4.2	95%	80%	3.9
Other non-audit services:					
Tax, legal and human resources consulting	0.3	1.0	5%	19%	0.1
Other	-	0.1	0%	1%	-
Total other services	0.3	1.1	5%	20%	0.1

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Total	6.6 =====	5.3 =====	100% =====	100% =====	4.0 =====
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The fees paid by Group subsidiaries to accounting firms other than PricewaterhouseCoopers and KPMG in connection with the audit of their financial statements totaled (euro)0.5 million for the year ended August 31, 2005.

Included in audit fees are amounts of (euro)1.6 million and (euro)1.5 million for PricewaterhouseCoopers and KPMG, respectively, relating to the audits of financial statements prepared in accordance with International Financial Reporting Standards.

ITEM 16D. Comparison of French and U.S. Corporate Governance Practices

As a result of the Group's activity on two different stock exchanges, the Group's corporate governance structure includes the mandatory provisions of French corporate governance law and the securities laws and regulations of both France and the U.S., as well as the rules that are promulgated by both public markets. As a result, the Group believes that its corporate governance structure is robust and reflects the evolving best practices of corporate governance in the U.S. and France. Disclosure of significant differences between our corporate governance practices and those required of domestic companies by the New York Stock Exchange listing standards is available on Sodexho Alliance's internet website at www.sodexho.com.

ITEM 16.E Purchases of Equity Securities by Sodexho Alliance and Affiliated Purchasers

Period	Total Number of Shares Purchased	Average Price Paid per Share (in euro)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Num Shares that Purchased U Plans or Pr
September 2004				12,883,
October 2004	106,522	20.47	106,522 (1)	12,779,
November 2004				12,824,
December 2004				12,824,
January 2005				12,944,
February 2005				13,006,
March 2005	341,121	24.38	341,121 (2)	12,759,
April 2005	136,228	24.36	136,228 (2)	12,665,
May 2005	300,000	25.79	300,000 (2)	12,441,
June 2005	200,000	26.07	200,000 (2)	12,262,

78

Period	Total Number of Shares Purchased	Average Price Paid per Share (in euro)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Num Shares that Purchased U Plans or Pr
July 2005				12,405,

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August 2005

12,466,

TOTAL	1,083,871	24.69	1,083,871
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- (1) The Annual Shareholders' Meeting of February 3, 2004 authorized the Board of Directors to buy and sell the company's own shares on the market for a period of 18 months in compliance with the objectives and procedures of the stock purchase program approved by the Autorites des Marches Financiers (AMF) under visa n(degree) 04-025 of January 14, 2004 (pursuant to COB Regulation n(degree) 98-02 modified by COB Regulation n(degree) 2000-06). The number of shares held or acquired may not exceed 10% of the authorized share capital. Under this authorization, 812,272 shares have been repurchased from May 6, 2004 to October 13, 2004.
- (2) The Annual Shareholders' Meeting of February 8, 2005 authorized the Board of Directors to buy and sell the company's own shares on the market for a period of 18 months in compliance with the objectives and procedures of the stock purchase program approved by the Autorites des Marches Financiers (AMF) under visa n(degree) 05-109 of February 22, 2005. The maximum number of shares that may be purchased by virtue of this authorization may not exceed 10% of the total number of shares constituting the share capital, this number being eventually adjusted to take into account operations modifying the share capital. Under no circumstances may the total number of share the Company holds, either directly or indirectly through its indirect subsidiaries, exceed 10% of the share capital. Under this authorization, 977,349 shares have been repurchased from March 2, 2005 to June 20, 2005.
- (3) Based on 10% of the Company's shares capital, and after deducting the shares held by the Company to cover the share purchase option plans for Company employees, as well as after deducting the shares held by the subsidiaries.

PART III

ITEM 17. FINANCIAL STATEMENTS

Reference is made to pages F-1 through F-57 of this Annual Report.

ITEM 18. FINANCIAL STATEMENTS

We have responded to Item 17 in lieu of responding to this Item.

ITEM 19. EXHIBITS

(a) The following exhibits are filed as part of this Form 20-F

Exhibit Number	Description
1	Sodexho Alliance Restated Corporate Statuts (English translation) (incorporated by reference to Exhibit 1 to the Registration Statement on Form 20-F filed by Sodexho Alliance SA on March 19, 2002, Commission File No. 1-31274)
2.1	Composite Conformed Term and Revolving Facilities Agreement, dated April 6, 2001, for Sodexho Alliance, SA, arranged by Citibank International plc, Goldman Sachs International and SG Investment Banking with Societe Generale acting as Agent and Societe Generale acting as Issuing Bank (as amended by a letter dated 27 April 2001, an Amendment and Restatement Agreement

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dated 8 June 2001 and as amended by letters dated March 14, 2003 and May 15, 2003) (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form 20-F filed by Sodexho Alliance SA on December 18, 2003, Commission File No. 001-31274)

- 2.2 Form of Deposit Agreement among Sodexho Alliance, SA, The Bank of New York as Depositary, and all Owners and Beneficial Owners from time to time of American Depositary Receipts issued thereunder (incorporated by reference to Exhibit A of the Registration Statement on Form F-6 filed by The Bank of New York and the

79

Exhibit Number -----	Description -----
	Company on March 21, 2002, Commission File No. 333-84970)
2.3	Terms and Conditions of Offering of Euro 1,000,000,000 5.875 percent Bonds due 2009 (incorporated by reference to Exhibit 2.3 to the Registration Statement on Form 20-F filed by Sodexho Alliance SA on March 19, 2002, Commission File No. 1-31274)
2.4	Agreement by Registrant to Furnish Certain Information to the Securities and Exchange Commission (incorporated by reference to Exhibit 2.4 to the Registration Statement on Form 20-F filed by Sodexho Alliance SA on March 19, 2002, Commission File No. 1-31274)
4.1	Agreement and Plan of Merger, dated as of May 1, 2001, among Sodexho Marriott Services, Inc., Sodexho Alliance, SA and SMS Acquisition Corp. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Sodexho Marriott Services, Inc. on May 4, 2001, Commission File No. 1-12188) (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 20-F filed by Sodexho Alliance SA on March 19, 2002, Commission File No. 1-31274)
4.2	Agreement dated December 30, 1991 between Felix Bellon SA and Sodexho S.A. as amended (English translation) (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form 20-F filed by Sodexho Alliance SA on December 18, 2003, Commission File No. 001-31274)
8.1	List of Significant Subsidiaries (incorporated by reference to note 4.4 of the Consolidated Financial Statements of Sodexho Alliance, SA)
12.1	Certification by Michel Landel, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification by Sian Herbert-Jones, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13	Certification of periodic financial report pursuant to 18 U.S.C. Section 1350, as mandated by Section 906 of the Sarbanes-Oxley

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Act.

14 Employment contract of Michel Landel

80

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this report on its behalf.

SODEXHO ALLIANCE, SA
(Registrant)

By: /s/ Sian Herbert-Jones

Name: Sian Herbert-Jones
Title: Chief Financial Officer

Date: July 24, 2006

INDEX TO FINANCIAL STATEMENTS

Consolidated Financial Statements of Sodexho Alliance, SA

Report of Independent Registered Public Accounting Firm.....	F-1
Consolidated Income Statements for each of the fiscal years ended August 31, 2005, 2004 and 2003.....	F-2
Consolidated Balance Sheets as of August 31, 2005 and 2004.....	F-3
Consolidated Statements of Cash Flows for each of the fiscal years ended August 31, 2005, 2004 and 2003.....	F-4
Notes to the Consolidated Financial Statements.....	F-5

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Sodexho Alliance, SA

We have audited the accompanying consolidated balance sheets of Sodexho Alliance, SA and its subsidiaries (together, the "Group") as of August 31, 2005 and 2004 and the related consolidated statements of income and of cash flows for each of the three fiscal years in the period ended August 31, 2005, all

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expressed in millions of euro. These financial statements are the responsibility of the Group's management, and they have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of the Group as of August 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three fiscal years in the period ended August 31, 2005, in conformity with accounting principles generally accepted in France.

As discussed in note 1, the Group changed its method of accounting for retirement and other long-term employee benefits effective September 1, 2004.

Accounting principles generally accepted in France vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences, is presented in note 5, as restated, to the consolidated financial statements.

Paris, France
February 21, 2006

PRICEWATERHOUSECOOPERS AUDIT

Hubert Toth

F-1

SODEXHO ALLIANCE, SA CONSOLIDATED INCOME STATEMENTS

	Years end	
	2005	2004
	(million)	
Revenues.....	11,672	11,672
Other income.....	48	48
Purchases.....	(3,983)	(3,983)
Employee costs.....	(5,395)	(5,395)
Other external charges.....	(1,535)	(1,535)
Taxes, other than income taxes.....	(93)	(93)

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Depreciation and increase in provisions.....	(184)	-----	-----
Earnings Before Interest, Exceptional Items, Income Taxes, Income from Equity Method Investees, Goodwill Amortization and Minority Interests (EBITA).....	530		
Financial expense, net.....	(103)	-----	-----
Income Before Exceptional Items, Income Taxes, Income from Equity Method Investees, Goodwill Amortization and Minority Interests....	427		
Exceptional (expense) income, net.....	(95)		
Income taxes.....	(103)	-----	-----
Income Before Income from Equity Method Investees, Goodwill Amortization and Minority Interests.....	229		
Net income from equity method investees.....	-		
Goodwill amortization.....	(60)	-----	-----
Group Net Income Before Minority Interests.....	169		
Minority interests in net income of consolidated subsidiaries.....	(10)	-----	-----
Group Net Income.....	159	=====	=====
Earnings per share (in euro).....	1.00	=====	=====
Diluted earnings per share (in euro).....	1.00	=====	=====

See accompanying notes to the consolidated financial statements.

F-2

SODEXHO ALLIANCE, SA

CONSOLIDATED BALANCE SHEET

	August 31,	
	2005	2004
	-----	-----
	(millions of euros)	
ASSETS		
Fixed and Intangible Assets, Net		
Goodwill.....	1,338	1,338
Intangible assets.....	2,476	2,476
Property, plant and equipment.....	365	365
Financial investments.....	77	77
Equity method investees.....	25	25
Total Fixed and Intangible Assets, Net.....	4,281	4,281
Current and Other Assets		
Inventories	177	177
Accounts receivable, net.....	1,508	1,508
Prepaid expenses, other receivables and other assets.....	627	627
Marketable securities.....	647	647
Restricted cash.....	206	206
Cash.....	513	513

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Total Current and Other Assets.....	3,678	3
TOTAL ASSETS.....	7,959	7
	=====	==
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' Equity		
Common stock.....	636	
Additional paid in capital.....	1,186	1
Consolidated reserves.....	314	
	-----	--
Total Shareholders' Equity.....	2,136	2
Minority Interests.....	20	
Provisions for Contingencies and Losses.....	172	
Liabilities		
Borrowings.....	1,940	2
Accounts payable.....	1,120	1
Vouchers payable.....	1,000	
Other liabilities.....	1,571	1
	-----	--
Total Liabilities.....	5,631	5
	-----	--
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES.....	7,959	7
	=====	==

See accompanying notes to the consolidated financial statements.

F-3

SODEXHO ALLIANCE, SA

CONSOLIDATED STATEMENTS OF CASH FLOW

	Years end	
	2005	2004
	-----	-----
	(millions)	
Operating Activities		
Consolidated net income before income (loss) from equity method investees and minority interests.....	169	
Noncash items:		
Depreciation and provisions.....	307	
Deferred taxes.....	(52)	
Losses (gains) on disposals and other, net of tax...	2	
	-----	--
Cash provided by operating activities.....	426	
Dividends received from equity method investees.....	-	
Change in working capital from operating activities.	229	
	-----	--
Net cash from operating activities.....	655	
Investing Activities		
Tangible and intangible fixed assets.....	(205)	

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Fixed asset disposals.....	15	
Acquisitions, net of dispositions, of consolidated subsidiaries.....	(7)	
Change in working capital from investing activities.....	(6)	
	-----	---
Net cash used in investing activities.....	(203)	
Financing Activities		
Dividends paid to parent company shareholders.....	(108)	
Dividends paid to minority shareholders of consolidated subsidiaries.....	(8)	
Increase in shareholders' equity.....	-	
Proceeds from borrowings.....	477	
Repayment of borrowings.....	(656)	
Change in working capital from financing activities.....	(37)	
	-----	---
Net cash used in financing activities.....	(332)	
	-----	---
Increase (decrease) in net cash, cash equivalents and marketable securities.....	120	
	=====	==
Cash, cash equivalents and marketable securities, as of beginning of period.....	1,209	1
Add: provisions as of beginning of period	12	
Cash, cash equivalents and marketable securities, as of end of period	1,365	1
Add: provisions as of end of period	3	
Net effect of exchange rates on cash.....	(27)	
	-----	---
Increase (decrease) in net cash, cash equivalents and marketable securities.....	120	
	=====	==

See accompanying notes to the consolidated financial statements.

F-4

SODEXHO ALLIANCE, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES AND RELATED FINANCIAL INFORMATION

Sodexo Alliance, SA and its subsidiaries (together, the "Group") applies accounting principles that comply with French law, including the consolidation accounting principles established by the Comite de la Reglementation Comptable No 99-02 ("Regulation CRC 99-02") in France (collectively, "French GAAP") in its consolidated financial statements. Regulation CRC 99-02 was adopted as of September 1, 2000, and its impact on the financial statements is described below. The financial statements of Group companies, which have been prepared in accordance with the accounting principles applicable in their respective countries, conform to the accounting principles described above in consolidation.

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The differences between French GAAP and accounting principles generally accepted in the United States ("US GAAP") that have an impact on the Group's consolidated financial statements are described in note 5.

The financial statements have been prepared on a basis consistent with the prior year, except for the change in the method of accounting for retirement and other long-term employee benefits (see Retirement and other long-term employee benefits, below). Consistent with recommendation no. 2003-R01 issued by the Conseil National de la Comptabilite (CNC), the Group has elected to apply the preferred method of accounting for such benefits.

Amounts in tables are expressed in millions of euro, unless indicated otherwise.

Significant Events During the Year

McReynolds vs. Sodexho, Inc. litigation

On March 8, 2001, ten current and former employees Marriott Management Services, Inc., later known as Sodexho Marriott Services, Inc. and now known as Sodexho, Inc., filed a lawsuit alleging that they and other African-Americans were discriminated against in promotions on the basis of their race. On June 25, 2002, the district court certified the case as a class action for purposes of determining liability. On April 27, 2005, Sodexho, Inc. agreed to settle the lawsuit in order to avoid protracted legal proceedings, but without admitting liability. The Judge subsequently approved the settlement on August 10, 2005.

Under the terms of the settlement, Sodexho, Inc. committed to make monetary payments to eligible class members and to the class' attorneys for a total amount of up to \$80 million, as well as to continue to promote its diversity programs. The Group anticipates that these payments will be made during the second half of fiscal 2006. A supplementary provision of \$78 million ((euro)61 million) has been recognized in the financial statements for fiscal 2005, to cover settlement payments and defense costs net of insurance. This settlement had a net negative impact of (euro)38 million on the consolidated income statement for the year ended August 31, 2005.

Principles of Consolidation

The consolidated financial statements include the accounts of Sodexho Alliance, SA and its principal subsidiaries. Subsidiaries which are effectively controlled by Sodexho Alliance are fully consolidated. Companies which are not fully consolidated but over which Sodexho Alliance is able to exercise significant influence, are accounted for using the equity method. All fully consolidated companies that do not have an August 31 year-end are consolidated on the basis of financial statements prepared on or around August 31 and for the twelve-month period then ended.

A number of companies having a minimal impact on the Group's consolidated financial statements have been excluded from consolidation, notably those having sales of less than (euro)2 million, net income (loss) of less than (euro) 0.1 million, and total assets of less than (euro)2 million.

F-5

The term "Change in consolidation scope" in certain footnote schedules refers to activity related solely to acquisitions and disposals of subsidiaries and/or increases or decreases in ownership percentages that result from a change in the method of consolidation (for example, from the equity method to full consolidation).

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A list of subsidiaries and the Group's percentage interest and percentage of voting rights held is provided in note 4.6.

Revenue Recognition

Revenues are recognized when all of the following criteria have been met: (i) persuasive evidence of an arrangement exists, (ii) services have been rendered, (iii) the sales price is fixed or determinable and (iv) collectibility is reasonably assured.

Revenues for the service voucher segment include commissions received from customers, which are recorded upon issuance of the vouchers to the customers; commissions received from affiliates, which are recorded upon redemption of the vouchers; and investment income realized on the nominal value of the vouchers during the period from their issuance through redemption (generally one to three months).

Retirement and Other Long-Term Employee Benefits

Effective September 1, 2004, all retirement and other long-term employee benefits are recognized in the consolidated financial statements. The first-time adoption of CNC recommendation 2003-R01 reduced consolidated shareholders' equity by (euro)104 million. Tax and employee-related liabilities were increased by (euro)147 million, and deferred tax assets by (euro)43 million.

The Group has adopted the projected unit credit method as the actuarial method for measuring its retirement benefit obligations. Factors used in calculating the obligation include length of service, life expectancy, salary inflation and staff turnover, as well as economic assumptions such as general inflation, the rate of return on assets, and the discount rate. Cumulative actuarial gains and losses representing more than 10% of the greater of (i) the gross amount of the obligation or (ii) the fair value of plan assets are amortized over the average residual working life of active employees (the "corridor" method).

The expense recognized in the income statement mainly comprises:

- rights vesting during the period;
- movements arising from the discounting of vested rights;
- the actual return on externally-held plan assets;
- the impact of plan amendments in prior periods or new plans;
- the amortization of actuarial gains and losses.

The liability recognized in the balance sheet represents the obligation net of externally-held plan assets and of items (primarily actuarial gains and losses) that are amortizable and consequently are not recognized.

The Group's principal retirement and other employee benefit plans are described below:

- In France, the obligation represents lump-sum benefits that are payable on retirement if the employee is still with the company at retirement age, and long-service awards. This obligation is primarily covered by specific provisions recognized in the balance sheet.
- The Sodexho Group also contributes to multi-employer plans, in particular in Sweden and the United States. These plans are accounted for as defined-contribution plans, because the information provided by the plan managers is insufficient for them to be classified as defined-benefit plans.

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- In the United Kingdom, Sodexho's obligation relates to a complementary retirement plan, partially funded by externally-held assets, and calculated on the basis of 1) final salary, in the case of managerial grade staff allocated to the private sector; and 2) benefits comparable to those offered in the public sector, in the case of managerial grade staff allocated to the public sector.

F-6

It was decided to close the United Kingdom plan to new employees effective July 1, 2003, and increase contributions to the fund so that the obligation will be fully funded by the end of an 8-year period.

- In continental Europe other than France, the main defined-benefits plans are as follows:
 - In Italy, there is a legal obligation to pay a lump-sum retirement benefit ("TFR"). At each fiscal year-end, rights fully vested in employees are valued and discounted as specified by law, and recognized in full as a liability.
 - In the Netherlands, certain employees are entitled to complementary retirement or early retirement benefits.

Stock Options

Sodexho Alliance has acquired treasury shares in connection with its stock option plans, which are included in marketable securities. A provision (and corresponding expense) is recorded if at the closing date of the period, the acquisition cost of the shares acquired exceeds the exercise price of the options awarded. If the number of treasury shares acquired is less than the number of options awarded, a liability (and corresponding expense) is recorded for the difference between the market price at the end of the period and the exercise price, multiplied by the number of remaining shares to be acquired for the applicable tranche of stock options. This liability is subject to adjustment in future periods based on movements in the market price of the Group's common shares.

Vendor Discounts and Allowances

Discounts and allowances obtained from vendors are recorded as a reduction to the related costs in the income statement.

Exceptional income and expenses

Exceptional income and expenses are recorded for significant items which by nature, or due to their unusual or non-recurring character, are not considered to be inherent to the operating activities of the Group. In general, such costs relate to gains or losses on asset dispositions, restructuring costs, exceptional depreciation or amortization of fixed and intangible assets, or provisions or expenses recorded in connection with employee stock option plans.

Earnings per Share

Earnings per share and diluted earnings per share are calculated in accordance with Position Statement No. 27 of the Ordre des Experts Comptables.

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Earnings per share is calculated by dividing group net income by the average number of shares outstanding during the year, including treasury shares. In the calculation of diluted earnings per share, the denominator is increased by the number of potential shares outstanding, and the numerator is increased by the net-of-tax interest income (calculated at the taux moyen mensuel du marche monetaire euro) on the proceeds which would have been obtained from the issuance of these shares. For fiscal 2003, the potential shares included in diluted earnings per share relate to stock options awarded but not yet exercised and warrants outstanding from the 1996 bond issuance, which were exercisable prior to June 2004.

As of August 31, 2004 and 2005, there were no commitments to create new shares. Therefore, earnings per share and diluted earnings per share are the same.

Foreign Currency Transactions and Translation

Countries with stable currencies

For subsidiaries located in countries with stable, non-hyperinflationary currencies, assets and liabilities are translated using the end of period exchange rate. Income statement and cash flow statement line items are translated using the average exchange rate for the year, calculated using monthly averages. Exchange rates used are obtained from the Euronext Paris and other international financial markets. The difference between the translation of the income statement at average and period end rates, as well as the difference between the opening balance sheet accounts as

F-7

translated at beginning and end of period rates is recorded in shareholders' equity. Foreign exchange gains and losses resulting from intragroup transactions in foreign currencies during the year are recorded in the income statement.

The financial statements of subsidiaries located in the following countries reflect monetary corrections as required by local regulations: Argentina, Chile, Columbia, Mexico, Turkey and Venezuela.

Other countries

The inclusion of monetary corrections imposed by local regulators on subsidiaries located in hyperinflationary countries in the consolidated financial statements had no impact on the income statement. Foreign currency translation differences for these subsidiaries are recorded in the currency translation adjustment account in shareholders' equity in the same manner as for the subsidiaries in countries with stable currencies.

For these subsidiaries, differences between net income translated at average and period-end rates are included in net financial expense. The impact of these differences on the consolidated income statement was not significant in any of the periods presented. As of August 31, 2005, none of the countries in which the Group operates was considered to be hyperinflationary.

Translation differences on monetary assets and liabilities denominated in foreign currencies are recorded in the income statement. Translation differences related to a monetary component of a net investment in a company within a consolidated foreign subsidiary are recorded in consolidated shareholders' equity until the sale or liquidation of the net investment.

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Business Combinations

All of the Group's acquisitions have been accounted for as purchases. Effective September 1, 2000, assets and liabilities of acquired companies have been recorded as of the acquisition date at their respective fair values.

Intangible Assets and Goodwill

The first-time consolidation at fair value of Sodexho, Inc., Wood Dining Services, Sogeres, Sodexho Services Group Ltd, Sodexho Scandinavian Holding AB and Universal Services led to the recognition as intangible assets of the significant market shares represented by the contract portfolios of each company in its main geographical markets (United States, France, United Kingdom, Ireland, Netherlands, Australia and Sweden). No deferred tax was recognized on the fair value attributed to these assets.

Goodwill represents the excess of the acquisition cost of an acquired entity over the Group's interest in the fair value of the assets and liabilities acquired, as of the date of first-time consolidation. Because of the long-term sustainability of the markets in which Group companies operate, goodwill is in almost all cases amortized over a period of thirty years (calculated on a pro rata basis in the year of acquisition).

The fair value of market shares was measured by applying multiples to revenues and EBITA as generated by the acquired companies in their principal markets, and is reviewed for impairment at each balance sheet date.

Market shares are not amortized in the consolidated financial statements. A provision for impairment is recognized in the event of material loss in value over more than two successive fiscal years, calculated by comparing actual data with the amounts used in the original valuation.

As in the case of goodwill, the carrying amount of market shares is compared with their value in use, calculated on the basis of discounted future cash flows using the method described below.

As of August 31, 2005, Sodexho carried out the impairment tests stipulated in CRC regulation no. 2002-10 of December 12, 2002, which defines the recoverable amount of an asset as the higher of market value or value in use.

- o Market value was recomputed on the basis of the same criteria as were used at the time of the original acquisition, primarily revenues and EBITA, to which were applied multiples derived from recent transactions.

F-8

- o Value in use was determined on the basis of after-tax cash flows derived from extrapolations of 3-year business plans prepared by management. The growth rate applied after the initial 3 year period was the growth rate specific to the sector of activity and geographic region. The resulting cash flows were discounted using the average cost of capital.
- o The recoverable amount determined using this method is then compared with the aggregate of all intangible assets and other fixed assets used in operations, plus working capital.

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Further information pertaining to goodwill and intangible assets is provided in notes 3.5 and 3.6

Property, Plant and Equipment

Leased assets are recorded on the balance sheet as capital leases in instances where a Group company is deemed to bear substantially all of the risks and rewards of the leased asset. A corresponding obligation is recorded as a liability, and the related rental expense is allocated between depreciation and interest expense in the income statement.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets giving consideration to the local e