BELLON

Statutory Auditors' report on the consolidated financial statements

(For the year ended August 31, 2020)

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This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' report on the consolidated financial statements
(For the year ended August 31, 2020)

To the shareholders
BELLON S.A.
17/19, Place de la Résistance
92130 Issy-les-Moulineaux

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of BELLON S.A. for the year ended August 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at August 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for statutory auditors' rules applicable to us, for the period from September 1, 2019 to the date of our report.

Emphasis of matter

We draw attention to the following matter described in Note 2.1.2 "New accounting standards and interpretations required to be applied" to the consolidated financial statements relating to the first-time application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over income tax treatments". Our opinion is not modified in respect of this matter.

Justification of assessments

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the following matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements:

- Bellon S.A. carried out impairment tests on goodwill and intangible assets with an indefinite useful life and also assessed whether any indication of impairment on assets with a finite useful life according to the terms described in Note 6.4 "Impairment of non-current assets" to the consolidated financial statements.
  We performed a critical review of the methods used to carry out these impairment tests and the method used to assess the value in use based on projected future discounted cash flows after tax. We also performed a review of the documentation prepared in this context, assessed the consistency of the data used, in particular with regard to the assumptions made for drawing up the business plans and we have verified that Note 6.4 "Impairment of non-current assets" to the consolidated financial statements provides appropriate information;

- Provisions covering post-employment benefits and other similar benefits according to the terms described in Note 5.1 "Employee benefits and share-based payment" to the consolidated financial statements have mainly been evaluated by external actuaries.
  We have examined the data used and the assumptions made by these actuaries as well as their conclusions and we have verified that Note 5.1 "Employee benefits and share-based payment" provides appropriate information.

The matters mentioned above are based on estimates and underlying assumptions, which are inherently uncertain. As specified in Note 2.2 "Use of estimates" to the consolidated financial statements, actual results could differ significantly from these estimates in the presence of different assumptions or conditions.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards

applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*), is included in the Group's information given in the management report, it being specified that, in accordance with Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein.

In accordance with French law, we report to you that your President of the Board of Directors has not appointed an independent third party responsible for verifying this declaration in accordance with Article L. 225-102-1 of this Code.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted y the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the consolidated financial statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, February 10, 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit
	Department of KPMG S.A.
Agnès Hussherr	Hervé Chopin

Consolidated financial statements as of August 31, 2020

1. Consolidated income statement

(in millions of euro)	Notes	Fiscal 2020	Fiscal 2019
Revenues	**4.1**	19,322	21,954
Cost of sales	4.2	(16,842)	(18,756)
Gross profit		2,479	3,198
Selling, General and Administrative costs	4.2	(1,926)	(2,007)
Share of profit of companies consolidated by the equity method that directly contribute to the Group's business	8	4	2
Underlying operating profit	**4.1**	557	1,193
Other operating income	4.2	7	9
Other operating expenses	4.2	(510)	(150)
Operating profit		54	1 050
Financial income	12.1	29	38
Financial expense	12.1	(325)	(144)
Share of profit of other companies consolidated by the equity method	8	5	4
Profit for the year before tax		(237)	950
Income tax expense	9.2	(98)	(277)
Net profit for the year		(336)	673
Of which:			
Attributable to non-controlling interests		(204)	435
Profit attributable to equity holders of the parent		(132)	237
Basic earnings per share (in euro)	**11.2**	**(0,91)**	**1,63**
Diluted earnings per share (in euro)	**11.2**	**(0,91)**	**1,60**

2. Consolidated statement of comprehensive income

(in millions of euro)	Notes	Fiscal 2020	Fiscal 2019
Net profit for the year		**(336)**	**673**
Components of other comprehensive income that may be reclassified subsequently to profit or loss		**(500)**	**180**
Change in fair value of cash flow hedge instruments	12.5 and 11.1	-	-
Change in fair value of cash flow hedge instruments reclassified to profit or loss	12.5 and 11.1	-	-
Currency translation adjustment	11.1	(502)	190
Currency translation adjustment reclassified to profit or loss	11.1	-	(3)
Tax on components of other comprehensive income that may be reclassified subsequently to profit or loss	11.1	-	-
Share of other components of comprehensive income (loss) of companies consolidated by the equity method, net of tax	11.1 and 8	2	(7)
Components of other comprehensive income that will not be reclassified subsequently to profit or loss		**101**	**61**
Remeasurement of defined benefit plan obligation	5.1 and 11.1	30	4
Change in fair value of financial assets revalued through other comprehensive income	12.3 and 11.1	62	62
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	11.1	9	(5)
Total Other comprehensive income (loss), after tax		**(399)**	**241**
Comprehensive income		**(735)**	**914**
Of which:			
Attributable to equity holders of the parent		(264)	328
Attributable to non-controlling interests		(471)	586

3. Consolidated statement of financial position

Assets

(in millions of euro)	Notes	August 31, 2020	August 31, 2019
Goodwill	6.1	5,970	6,364
Other intangible assets	6.2	673	801
Property, plant and equipment	6.3	566	685
Right-of-use assets relating to leases	7.2	1,321	-
Client investments	4.4	575	626
Companies consolidated by the equity method	8	60	62
Financial assets	12.3	190	291
Derivative financial instrument assets	12.5	11	4
Other non-current assets		23	21
Deferred tax assets	9.3	137	99
NON CURRENT ASSETS		**9,526**	**8,952**
Financial assets	12.3	40	58
Derivative financial instrument assets	12.5	11	7
Inventories		259	294
Income tax receivable	4.3	113	125
Trade and other receivables	4.3	4,067	4,626
Restricted cash and financial assets related to the Benefits & Rewards Services activity	4.5 and 12.3	1,103	1,120
Cash and cash equivalents	12.2	2,042	1,807
CURRENT ASSETS		**7,635**	**8,038**
TOTAL ASSETS		**17,161**	**16,990**

Shareholders’ equity and liabilities

(in millions of euro)	Notes	August 31, 2020	August 31, 2019
Share capital		0	0
Additional paid-in capital		285	285
Reserves and retained earnings		520	951
EQUITY ATTRIBUABLE TO EQUITY HOLDERS OF THE PARENT		**805**	**1 236**
NON-CONTROLLING INTERESTS		**1,466**	**2,373**
SHAREHOLDER’S EQUITY	**11.1**	**2,271**	**3,610**
Borrowings	12.4	5,050	3,962
Derivative financial instrument liabilities	12.5	12	2
Long-term lease liabilities	7.1	1,126	
Employee benefits	5.1	345	404
Other non-current liabilities	4.3	196	171
Non-current provisions	10.1	84	88
Deferred tax liabilities	9.3	97	151
NON CURRENT LIABILITIES		**6,911**	**4,779**
Bank overdrafts	12.2	6	35
Borrowings	12.4	253	534
Derivative financial instrument liabilities	12.5	6	1
Short-term lease liabilities	7.1	231	
Income tax payable		174	99
Current provisions	10.1	171	58
Trade and other payables	4.3	4,021	4,894
Vouchers liabilities	4.5	3,117	2,981
CURRENT LIABILITIES		**7,979**	**8,602**
TOTAL SHAREHOLDER’S EQUITY AND LIABILITIES		**17,161**	**16,990**

4. Consolidated cash flow statement

(in millions of euro)	Notes	Fiscal 2020	Fiscal 2019
Operating profit		**54**	**1 052**
Elimination of non-cash and non-operating items			
Depreciation, amortization and impairment of intangible assets and property, plant and equipment[1]		896	365
Provisions		122	(39)
Disposal (gains) losses and other non-cash items		59	35
Dividends received from companies consolidated by the equity method	8	4	10
Interest paid[2]		(299)	(142)
Interests paid on lease liabilities		(25)	
Interest received		40	39
Income tax paid		(201)	(205)
Operating cash flow		**649**	**1 115**
Change in inventories		21	(3)
Change in trade and other receivables		318	(384)
Change in trade and other payables		(627)	406
Change in vouchers payable		343	164
Change in financial assets related to the Benefits & Rewards Services activity		(93)	(53)
Change in working capital from operating activities		**(38)**	**129**
NET CASH PROVIDED BY OPERATING ACTIVITIES		**611**	**1 245**
Acquisitions of property, plant and equipment and intangible assets		(398)	(400)
Disposals of property, plant and equipment and intangible assets		17	17
Change in client investments	4.4	(12)	(31)
Change in financial assets and share of companies consolidated by the equity method		(20)	(94)
Acquisitions of subsidiaries	3.1	(20)	(308)
Disposals of subsidiaries		3	7
NET CASH USED IN INVESTING ACTIVITES		**(430)**	**(809)**
Dividends paid to parent company shareholders	11.1	(11)	(14)
Dividends paid to non-controlling shareholders of consolidated companies		(252)	(247)
Purchases of treasury shares	11.1		(1)
Sales of treasury shares			
Increase in share capital			1

Change in non-controlling interests		(131)	(6)
Proceeds from borrowings	12.4	3 518	534
Repayment of borrowings	12.4	(2 657)	(631)
Repayments of lease liabilities		(260)	
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**207**	**(365)**
NET EFFECT OF EXCHANGE RATES AND OTHER EFFECTS ON CASH		(124)	58
CHANGE IN NET CASH AND CASH EQUIVALENTS		388	70
NET CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1 773	1,645
NET CASH AND CASH EQUIVALENTS, END OF YEAR	**12.2**	2 036	1,773

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

(2) Including 150 million euro indemnity due to anticipated refund of USPP (Note 12.4.3.5).

5. Consolidated statement of changes in shareholders’ equity

(in millions of euro)	Shares outstanding	Share capital	Additional paid-in capital	Reserves and comprehensive income	Currency translation adjustment	Total shareholders’ equity		
						Attributable to equity holders of the parent	Non-controlling interests	Total
Notes	**11.1**			**11.1**				
Shareholders’ equity as of August 31, 2018	**24,255**		**155**	**1,122**	**(350)**	**927**	**2,042**	**2969**
Impact of IFRS 9 & IFRS 15 first-time application				(12)		(12)	(22)	(34)
Shareholders’ equity as of September 1st, 2018	**24,255**		**155**	**1,111**	**(350)**	**915**	**2,020**	**2935**
Profit for the period				237		237	435	672
Other comprehensive income (loss), net of tax				20	71	91	151	242
Comprehensive income				**257**	**71**	**328**	**586**	914
Dividends paid				(10)		(10)	(253)	(263)
Capital reduction by cancelling treasury shares			(2)	2				
Share-based payment (net of income tax)				12		12	21	33
Change in ownership interest without any change of control				(2)		(2)	(3)	(5)
Other[(1)]				(5)		(5)	1	(4)
Shareholders’ equity as of August 31, 2019	**24,255**		**153**	**1,364**	**(279)**	**1,238**	**2,372**	**3610**
Impact of IFRIC 23 first-time application				(36)		(36)	(60)	(96)
Shareholders’ equity as of September 1st, 2019	24,255		153	1,328	(279)	1,202	2,312	3 514
Profit for the period				**(132)**		**(132)**	**(204)**	**(336)**
Other comprehensive income (loss), net of tax				(17)	(189)	(206)	(312)	(518)
Comprehensive income								
Dividends paid				**(10)**		**(10)**	**(264)**	**(274)**
Capital reduction by cancelling treasury shares								
Share-based payment (net of income tax)								
Change in ownership interest without any change of control				(41)		(41)	(28)	(69)
Other[(1)]			132	(139)		(7)	(39)	(45)
Shareholders’ equity as of August 31, 2020	**24,255**		**285**	**989**	**(468)**	**805**	**1,466**	**2271**

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

Notes to the consolidated financial statements

Bellon S.A. is a *société anonyme* (a form of limited liability company) domiciled in France, with its headquarters located in Issy-les-Moulineaux.

Bellon's consolidated financial statements for the fiscal year ended August 31, 2020 were approved by the Board of Directors on January 6, 2021 and will be submitted to the Annual Shareholders' Meeting on May 19, 2021.

The numbers shown in the tables were prepared in thousands of euro and are presented in millions of euro (unless otherwise indicated).

1. Significant events

1.1 Impact of the Covid-19 Pandemic

The Covid-19 health crisis worsened during the second half, impacting activities in all regions in which the Group is operating. To limit the spread of Covid-19, officially designated as a pandemic by the World Health Organization on March 11, 2020, different measures have gradually been implemented in many countries, requiring site closures and cancellation or postponements of events.

Since the start of the crisis, the Group has implemented a set of actions in order to ensure business continuity and protect its employees and consumers, in compliance with the Group Health and Security policy and in application of the directives and guidelines of health organizations and local authorities. Due to the evolving situation, the Group is closely monitoring the situation and is mobilized to ensure business continuity and results through:

- Precise and proactive management of the workforce to adapt to the rapidly changing context;
- Strict management of the cash position (focusing on client receivables and delaying capital expenditure);
- Close proximity to the supply chain to ensure business continuity and flexibility;
- Rigorous follow-up on the execution of services with strong contract management;
- Strict management of general and administrative costs;
- Close monitoring of all possible relief from authorities on direct and indirect taxes, social charges and employee relief funds programs.

However, the intensification of the Covid-19 health crisis during the second half of Fiscal 2020 has strongly impacted the Group's financial results and performance. During Fiscal 2020, consolidated revenue was 19,321 million euro, a decrease of 12% (see note 4.1).

Management of liquidity

With sufficient cash flows provided by operating activities for investments and acquisitions, the Group's financial situation remains solid. As mentioned in note 1.2 "Financing Operations", the Group issued two bonds during the second half of Fiscal 2020 for 2.5 billion euro. A portion was used to redeem the full outstanding balance of the U.S. Private Placement, extending the average debt maturity from 5.2 years as of August 31, 2019 to 5.7 years as of August 31, 2020.

In addition, as mentioned in note 12.4.3.1, the Group has access to credit facilities that can be utilized at any time as needed for 1.9 billion euro (the confirmed credit facilities are unutilized as of August 31, 2020). Furthermore, with an operating cash of 3.1 billion euro, the Group has access to 5.1 billion euro of liquidity as of August 31, 2020.

Therefore, as of the date the consolidated financial statements were approved by the Board of Directors, the Group considers there is no risk of going concern.

Non-financial assets impairment

The Group's activites were strongly impacted by many site closures, a decrease in foot traffic on sites and cancellation or postponement of many events during the second half of Fiscal 2020.

Consequently, the Group performed an in-depth review of the performance of its assets. For those assets where a decline in value was indicated, an impairment test was performed. In addition, the Group has updated the underlying cash flow projection assumptions for all of the segments used for the annual goodwill assets impairment test. The impairment test methodology is disclosed in Note 6 "Goodwill, other intangible and tangible assets".

The results of the impairment tests performed on this basis led the Group to recognize an impairment charge of 249 million euro in other operating income and expenses in Fiscal 2020, mainly related to the Sports & Leisure and Education segment.

Restructuring cost and right-sizing costs

As a continuation of the rigorous measures put in place at the beginning of the pandemic, and in anticipation of the end of governement aids in several countries, the Group has decided to proactively take action to reinforce its agility to adapt to the new environment and seize new market opportunities. These measures resulted in the recognition during the second half of restructuring costs of 158 million euro, in addition to the expenses recognized during the first half, the total amount of restructuring and right-sizing costs recognized in Other operating income and expenses was 191 million euro (see. note 4.2.2 “Other operating income and expenses”).

Recoverability of deferred tax assets

The Group has reassessed the recoverability of it’s deferred tax assets. Deferred tax assets whose recoverability was determined to be uncertain in the near term, after taking into account deductible temporary differences, were written down. The deductible temporary differences and unused tax loss carryforwards (tax credits) generated during Fiscal 2020 by the related subsidiaries were not recognized as deferred tax assets. The negative impact on consolidated tax expense was 122 million euro (see note 9 “Income tax”).

1.2 Financing Operations

In the context of the Covid-19 pandemic, on April 27, 2020 and July 17, 2020, the Group issued two bonds for a total principal amount of 2.5 billion euro, extending the debt maturity and strenghtening long-term cash reserves (see note 12.4.2 “Bond issues”).

In addition, to allow for greater independence and agility, the Group reimbursed 1.6 billion U.S. dollars of its USPP (U.S private placements) debt. In accordance with the terms of the U.S private placements debt agreement, the reimbursement includes an indemnity of 168 million U.S. dollars (150 million euro) recognized as financial expense. As a result of this transaction, which is described in note 12.1 “Financial income and expenses” and note 12.4.3.3 “U.S private placements”, Sodexo is no longer subject to any financial covenant with respect to its borrowings.

1.3 Legal dispute with the French Competition Authority

On October 9, 2015, *Octoplus* filed a complaint with the French Competition Authority (‘Autorité de la concurrence’) concerning several French meal voucher issuers, including Sodexo Pass France. Following the hearing of the parties concerned in April and July 2016, the Competition Authority decided on October 6, 2016 to pursue investigation on the merits, without requesting protective measures.

On February 27, 2019, the prosecution services sent their final investigation report to Sodexo Pass France. In its response filed on April 29, 2019, the Group contested both grievances (information sharing and foreclosure of the meal voucher market through the Centrale de Règlement des Titres). On December 17, 2019, the Competition Authority issued an adverse decision against meal voucher issuers, and fined Sodexo Pass France, jointly and severally with Sodexo S.A., 126 million euro. Sodexo Pass France and Sodexo S.A. received notification of this decision on February 6, 2020. As the Covid-19 pandemic has strongly impacted the Group activities and performance, Bellon requested and obtained from the French Tax authority, a payment deferral without any penalties against a guarantee of the same amount. The payment will be due on March 15, 2021.

However, Sodexo firmly contests this decision which manifests an inaccurate appreciation of the alleged practices and of the market dynamics and therefore has appealed this decision to the Paris Court of Appeal. After consultation with its legal advisors, the Group considers that it has strong arguments which could lead to the annulment or revision of the French Competition Authority decision. As a result, no provision has been made for this litigation.

2. Accounting policies

2.1 Basis of preparation of the financial statements

2.1.1 Basis of preparation of financial information for Fiscal 2020

Pursuant to European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of the Bellon Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union as of the year end. A comprehensive list of the accounting standards adopted by the European Union is available for consultation on the European Commission website at https://ec.europa.eu/commission/index_en.

Information for the comparative year presented has been prepared using the same principles.

The Group does not apply IFRS standards that are not approved by the European Union at the closing date. During the past three years, considering the company closing date, the IFRS application dates as approved by the European Union have been the same as those for the IFRS standards published by the IASB.

Furthermore, the Group did not elect to early adopt non-mandatory new standards, amendments and interpretations for Fiscal 2020, except for the IFRS 16 amendment “Covid-19-Related Rent Concessions”. The Group does not anticipate the application of other non-mandatory new standards, amendments and interpretations to have a material impact on its consolidated financial statements.

2.1.2 New accounting standards and interpretations required to be applied

The accounting policies used by the Group to prepare its consolidated financial statements for the fiscal year ended August 31, 2020 are the same as those used for the consolidated financial statements as of August 31, 2019 except for the first-time application of IFRS 16 “Leases” and IFRIC 23 “Uncertainty over income tax treatments” as described bellow. Other required standards, amendments or interpretations effective as of September 1, 2019 did not have a material impact on consolidated financial statements of the Group.

2.1.2.1 First-time application of IFRS 16 “Leases”

IFRS 16, applicable to the Group with effect from the fiscal year opening on September 1, 2019, sets out the principles for recognizing leases. These principles replace described down in IAS 17 “Leases” and in the interpretations SIC 15 “Operating Leases – Incentives”, SIC 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease” and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

IFRS 16 introduces for lessees a single model for the recognition of leases, involving the recognition of all leases on the balance sheet (removal of the distinction between finance leases and operating leases), except where optional exemptions are applicable (short-term leases and leases of low value assets).

Accordingly, as a lessee, the Group recognizes in the balance sheet:

- a right-of-use asset, representing the right to use the underlying asset over the lease term; and
- a lease liability, reflecting the future lease payments obligation over the lease term.

The presentation of lease transactions in the consolidated income statement is also modified, the lease expense being replaced by:

- depreciation of the right-of-use asset;
- interest expense on the related lease liability.

Finally, in the consolidated cash flow statement, cash outflows relating to interest and variable lease payments impact operating activities flows, while repayments of the lease liability impact financing activities flows. The investing activities flows are not modified.

The Group applied IFRS 16 from September 1, 2019 using the simplified retrospective approach, without restating the comparative periods. As a result, the Group recognized as of September 1, 2019 a lease liability, corresponding to the present value of the future fixed lease payments over the residual lease term, and a right-of-use asset, for an amount equaling the lease liability adjusted for prepaid or accrued lease payments previously recognized. Hence, comparative information for Fiscal 2019 is presented as previously, in application of IAS 17 and the related interpretations. Among the practical expedients authorized by the standard for the transition, the Group chose to apply the practical expedient allowing to use its assessment of whether leases are onerous by applying IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” made immediately before the date of first-time application as an alternative to testing right-of-use assets for impairment at September 1, 2019.

The discount rates used at the transition date correspond to incremental borrowing rates as of September 1, 2019, calculated over the initial term of each lease. The weighted average incremental borrowing rate as of September 1, 2019 was 1.6%.

The Group decided not to apply the deferred tax exemption from initial recognition provided in IAS 12 (paragraphs 15 and 24). A deferred tax is recognized on the net temporary difference arising from recording the lease liability and the right-of-use asset.

The reconciliation of operating lease off-balance sheet commitments presented according to IAS 17 as of August 31, 2019 and lease liabilities recognized according to IFRS 16 as of September 1, 2019 is summarized as follows:

(in millions of euro)	
Operating lease commitments as of August 31, 2019	**839**
Discounting effect	(104)
Measurement differences due to the determination of the lease term[1]	605
Impact of contracts not classified as a lease under IAS 17	194
Other impacts[2]	(44)
Lease liabilities as of September 1, 2019	**1,490**

(1) Off-balance sheet commitments were determined considering the non-cancellable term of operating leases (future minimum lease payments), whereas according to IFRS 16, the determination of the duration takes into account extension options that the Group is reasonably certain to exercise.

(2) The residual difference mainly relates to:
- commitments relating to short-term leases and leases of low value assets, covered by the exemption option provided for by IFRS 16 and applied by the Group (see Accounting principles described in note 7.1), and
- measurement differences of lease payments, as a result of the exclusion of the service component.

The accounting principles and information required on lease liabilities and right-of-use assets relating to lease contracts as of August 31, 2020 are detailed in note 7.1.

The amendment to IFRS 16 “Covid-19-related rent concessions” did not have a material impact on the consolidated financial statements of the Group.

2.1.2.2 First-time application of IFRIC 23 “Uncertainty over income tax treatments”

The interpretation IFRIC 23, which is applicable to the Group as ofthe fiscal year startingon September 1, 2019, clarifies the application of the recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over the acceptability of a particular tax treatment under tax law.

The Group reviewed its income tax treatments in order to determine the impact of this interpretation on its consolidated financial statements. In that respect, the Group recognized an additional income tax liability of 90 million euro and depreciation of the deferred tax assets for 6 million euro. In accordance with the transitional provisions of the interpretation, the Group recognized the cumulative effect of first application as a reduction of consolidated equity at September 1, 2019, without restating the comparative periods.

Furthermore, the Group reclassified in Income tax payable its existing liabilities for uncertain tax treatment, which were included in Provisions until August 31, 2019 of 6 million euro.

2.1.2.3 Impact on the opening consolidated statement of financial position

As described above, the restatements required by IFRS 16 and IFRIC 23 as of the transition date have been recognized in the opening consolidated statement of financial position as of September 1, 2019. Fiscal 2019comparative information has not been restated.

The following table presents the impact of the first-time application recognized as of September 1, 2019:

(in millions of euro)	August 31, 2019	Impacts of first-time application of IFRS 16 & IFRIC 23	September 1, 2019
Property, plant and equipment	684	(5)	679
Right-of-use assets	-	1 490	1 490
Deferred tax assets	99	(6)	93
Trade and other receivables	4 626	(1)	4 625
Income tax receivables	125	5	130
Other non-current and current assets	11 454	-	11 454
TOTAL ASSETS	**16 990**	**1 483**	**18 473**
Equity attributable to equity holders of the parent	**1 236**	**(96)**	**1 140**
Non-controlling interests	**2 374**	**-**	**2 374**
Non-current borrowings	3 962	(2)	3 960
Long-term lease liabilities	-	1 244	1 244
Non-current provisions	88	(7)	81
Current borrowings	534	(3)	531
Short-term lease liabilities	-	246	246
Income tax payable	99	101	200
Other non-current and current liabilities	8 698	-	8 698
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**16 990**	**1 483**	**18 473**

2.2 Use of estimates

The preparation of financial statements requires the management of the Group and its subsidiaries to make estimates and assumptions which affect the amounts reported for assets, liabilities and contingent liabilities as of the date of preparation of the financial statements, and for revenues and expenses for the period.

These estimates and valuations are updated continuously based on past experience and on various other factors considered reasonable in view of current circumstances and are the basis for the assessments of the carrying amount of assets and liabilities. Unprectibility generated by Covid-19 pandemic made the use of estimations and hypothesis a key factor in the establishment of the annual consolidated financial statements.

Final amounts may differ substantially from these estimates if assumptions or circumstances change.

Significant items subject to such estimates and assumptions include the following:

- impairment of current and non-current assets (notes 4.3 to 6.4);
- provisions for risks, litigation and restructuring (notes 10.1 and 10.2);
- recognition of deferred tax assets (note 9.2);
- liabilities recognized for uncertain tax positions (note 9);
- fair value of financial assets and derivative financial instruments (notes 12.5 and 12.6);
- valuation of post-employment defined benefit plan assets and liabilities (note 5.1);
- share-based payment (note 5.2);
- valuation of goodwill and intangible assets acquired as part of a business combination, as well as their estimated useful lives (note 3);
- assessment of the lease term in measuring the lease liabilities and related right-of-use assets recognized in accordance with IFRS 16 (note 7.1).

2.3 Valuation Bases

The consolidated financial statements are prepared using the historical cost convention, except for:

- goodwill and intangible assets acquired as part of a business combination, measured at fair value (note 3.1);
- derivative financial instruments, cash and cash equivalents and non-consolidated investments, measured at fair value (note 12);
- post-employment defined benefit plan assets and liabilities, measured at fair value (note 5.1);
- share-based payment, measured at fair value (note 5.2);
- right-of-use assets relating to leases and leases liabilities (note 7.1).

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). In line with IFRS 13 “Fair Value Valuation” classification, there are 3 levels of Fair value:

- Level 1: unadjusted quoted prices in an active market for identical assets or liabilities, used for the valuation of cash and cash equivalents;
- Level 2: models that use observable inputs for the asset or liability, either directly (i.e., prices) or indirectly (i.e., price-based data), used for the valuation of derivative financial instruments;
- Level 3: fair value determined using valuation techniques based on unobservable inputs, used for the valuation of client relationships acquired as part of a business combination and non-consolidated investments.

3. Main changes in scope of consolidation

Accounting principles and policies

Principles and methods of consolidation

Intragroup transactions

Intragroup transactions and balances, and unrealized losses and gains between Group companies, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, unless they represent an impairment charge.

Consolidation methods

A subsidiary is an entity directly or indirectly controlled by Bellon S.A. The Group controls a subsidiary when it is exposed or has rights to obtain variable benefits from its involvement with the subsidiary and has the ability to influence those benefits through its power over the subsidiary. In determining whether control exists, voting rights granted by equity instruments are taken into account only when they give the Group substantive rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained to the date on which control ceases to be exercised.

Associates are companies in which Bellon S.A. directly or indirectly exercises significant influence over financial and operating policy without exercising exclusive or joint control. Joint ventures are joint arrangements in which Bellon S.A. directly or indirectly exercises joint control and has rights to the net assets of the arrangement. Associates and joint ventures are consolidated by the equity method. The Group has a number of equity interests in project companies established in connection with Public-Private Partnership (PPP) contracts. These contracts enable governments to call upon the private sector for the design, construction, financing and management of public infrastructure (hospitals, schools, barracks, prisons), with detailed performance criteria. An analysis is performed for each of these equity interests, in order to determine whether they qualify as associates or joint ventures.

The Group only makes equity and subordinated debt investments in such projects when it acts as a service provider to the project company.

Further information on the main entities consolidated as of August 31, 2020 is provided in note 14.4 “Scope of consolidation”.

Foreign currency translation

The exchange rates used are derived from rates quoted by the European central bank and on other major international financial markets.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies at the period end are translated using the closing rate. The resulting translation differences are reported in financial income or expense.

Non-monetary foreign-currency assets and liabilities reported at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities reported at fair value are translated using the exchange rate at the date when the fair value was determined.

Transactions for the period are translated at the exchange rate at the transaction date.

Translation differences on monetary items that are in substance part of a net investment in a foreign operation consolidated by Bellon are reported in other comprehensive income until the disposal or liquidation of the investment.

Financial statements denominated in foreign currencies

(i) Countries with stable currencies

The separate financial statements of each consolidated entity are presented on the basis of the primary economic environment (functional currency) in which the entity operates.

For consolidation purposes, all foreign-currency assets and liabilities of consolidated entities are translated into the reporting currency of the Bellon Group (the euro) at the closing exchange rate, and all income statement items are translated at the average exchange rate for the period. The resulting translation differences are recognized in other comprehensive income under “Currency translation adjustment”.

(ii) Countries with hyperinflationary economies

Non-monetaty assets and liabilities in hyperinflationary countries, as well as the income statement, are adjusted to reflect the changes in the general pricing power of the functional currency in accordance with IAS 29. Moreover, subsidiaries financials statements in hyperinflationary countries are translated at the closing rate of the period in accordance with IAS 21.

Since July 1, 2018, Argentina has been classified as a country with a hyperinflationary economy. However, the impacts of hyperinflation in that country were not material at Group level during Fiscal 2019 and Fiscal 2020.

Business combinations

The purchase method is used to account for acquisitions of subsidiaries by the Group. Fair value of the consideration corresponds to the fair value of assets acquired, equity instruments issued by the purchaser and liabilities assumed as of the date of the acquisition. Costs directly related to the acquisition are expensed as incurred in the income statement.

On initial consolidation of a subsidiary or equity interest, the Group measures all identifiable elements acquired at fair value at the acquisition date, in the currency of the acquired entity.

Changes to the measurement of identifiable assets and liabilities resulting from specialist valuations or additional analysis may be recognized as adjustments to goodwill if they are identified within one year of the date of acquisition and result from facts and circumstances existing at the acquisition date. Once this one-year period has elapsed, the effect of any adjustments is recognized directly in the income statement (unless it is the correction of an error), including recognition of deferred tax assets which are recognized in the income statement as a tax benefit if recognized more than one year after the acquisition date. Goodwill arising on the acquisition of associates and joint ventures is included in the value of the equity method investment.

Goodwill is not amortized but is subject to impairment tests immediately if there are indicators of impairment, and at least once per year. Impairment test procedures are described in note 6.4 “Impairment of non-current assets”. Goodwill impairment charges recognized in the income statement are irreversible.

Step acquisitions

In a step acquisition, the fair value of the Group’s previous interest in the acquired entity is measured at the date that control is obtained and is recognized in profit or loss. In determining the amount of goodwill recognized, the fair value of the consideration transferred (for example the price paid) is increased by the fair value of the interest previously held by the Group.

3.1 Business combinations

During Fiscal 2020, goodwill totaling 77 million euro was recognized, mainly related to the acquisitions of *Prima Assistance* and *Active Global Health Sciences Education Group* in Homecare, and *CSM* in Corporate Services.

The table below shows the impact of newly consolidated entities. It includes the values of the assets acquired and liabilities assumed, as provisionally estimated as of August 31, 2020, and the adjustments resulting from the final purchase price allocation of prior acquisitions:

(in millions of euro)	**August 31, 2020**
Intangible assets	2
Property, plant and equipment	3
Other non-current assets (including client investments)	4
Trade receivables	22
Other current assets	4
Cash and cash equivalents	9
Borrowings	5
Other non-current liabilities	(6)
Net deferred tax	-
Other current liabilities	(38)

TOTAL IDENTIFIABLE NET ASSETS	**5**
CONSIDERATION TRANSFERRED(1)	**(74)**
Fair value of shares previously held	8
GOODWILL(2)	**77**

(1) Includes the consideration transferred payed in Fiscal 2019 for companies initially consolidated in Fiscal 2020, for -31 million euro.

(2) Goodwil is recognized as the difference between acquisition price and identifiable net assets at fair value. It principally represents the "savoir-faire" and expertise of employees and synergies expected from acquired companies.

Business combinations impacts the Cash flow statement as follows:

Price paid during the year	(30)
Cash acquired	9
Acquisitions of subsidiaries	**(20)**

Companies consolidated during Fiscal 2020 were integrated from the date of acquisition, and contributed for 110 million euro to consolidated revenue and for 2 million euro to the consolidated underlying operating profit of the period.

Goodwill variations during Fiscal 2020 and the comparative period are presented in note 6.1 "Goodwill".

4. Segment information and other operating items

Accounting principles and policies

Income statement

The Group presents its income statement by function.

Operating profit comprises the following components:

- gross profit;
- Selling, General and Administrative costs (SG&A); and
- other operating income and expenses.

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

Other operating income and expenses include the following:

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

Underlying operating profit also comprises the Group's share of profit of companies consolidated by the equity method that directly contribute to the Group's business.

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

Revenues

Revenues reported by the Group relate to the sale of services in connection with the ordinary activities of fully consolidated companies as follows:

- **On-site Services:** revenues include all revenues stipulated in a contract, whether Bellon acts as principal (the vast majority of cases) or agent.

  Food services revenues are recognized when the consumer pays at the check-out (the date on which control of the goods is transferred to the consumer, since the sales do not represent any other unsatisfied performance obligation at that date). Facilities management services mainly represent routine or recurring services, whose benefits are simultaneously received and consumed by clients as they are performed by the Group, and therefore correspond to performance obligations satisfied over time. Consequently, the Group applies the practical expedient provided for in IFRS 15 and recognizes the revenue for its right to bill (invoicing based on contractual prices, which represent the transaction prices of the different promised services).

As a result, revenue recognition matches with billing for most of the On-site Services.

Principal versus Agent considerations:
When a third party is involved in providing goods or services to the customers (for example, a subcontractor), the Group evaluates whether or not it obtains control of goods or services before transferring control to the customer. When the Group controls the good or service before it is transferred to the customer, the revenue is recognized on a gross basis. Otherwise, the revenue is recognized on a net basis. It should be noted that the changes in revenue recognition principles introduced by IFRS 15 led the Group to reassess the accounting treatment of some contracts (revenue now recognized on a gross basis for instances where we subcontract part of our facilities management services, and on a net basis in some specific cases).

Consideration payable to customers:
In certain cases, and mainly upon client requirements, the Group pays fees or rent for the use of space or equipment made available to us on sites that enable us to deliver our services. In accordance with IFRS 15 principles applicable to consideration payable to customers, the Group considered that such expenses should be recognized as a deduction from the corresponding revenues (previously recognized as operating expenses).

- **Benefits & Rewards Services:** revenues include mainly commissions received from clients and affiliates, financial income from the investment of cash generated by the activity, and profits from vouchers and cards not reimbursed.
  Commissions received from clients in the Benefits & Rewards Services activity are recognized when the vouchers are issued and sent to the client or the cards are credited. Commissions received from affiliates are recognized when the vouchers are reimbursed, or the cards are used. Profits from unreimbursed vouchers and cards are recognized based on their expiration date and the deadline for presentation for reimbursement by the affiliate. It should be noted that the implementation of IFRS 15 has no significant impact on revenue recognition for Benefits & Rewards Services.

Revenues are measured at the fair value of the consideration received or to be received, net of discounts and rebates as well as Value Added Tax (VAT) and other taxes. The financial component of each commercial transaction is considered as negligible and therefore is not recognized separately in accordance with IFRS 15 provisions.

Vendor Discounts and Discount Allowances

As part of its food or other material supply contracts with manufacturers and distributors, the Group can earn discounts, rebates, or credits related to the purchases made under those contracts. Vendor Discounts and Allowances (VDA) are earned on the volume of materials purchased under the contract, on the periodic purchase volumes exceeding certain contractually-defined thresholds, or as fixed amounts in exchange for certain commitments such as vendor exclusivity arrangements. The Group retains VDAs to the extent consistent with its client contracts and applicable law. Our accounting policy for VDAs is as follows:

- VDAs earned on purchases made through Sodexo-managed food or facilities services contracts are recognized as a reduction to Cost of Sales;
- VDAs earned on purchases made through procurement management services contracts are recognized as Revenues.

VDAs are typically recognized in the period the purchases are made based on the volume of materials purchased in the period and the contractual VDA rate. VDAs earned based on purchase volumes reaching contractually-defined thresholds are recognized in proportion with the purchases made as soon as the Group considers it probable that the thresholds will be reached. If the Group does not consider it probable that its purchase volumes will reach the contractually-defined thresholds, any VDAs earned are recognized if and when the thresholds are reached. Fixed-amount VDAs are recognized immediately unless certain conditions need to be met in order for them to be earned or if there is a clear link between the amount promised and the future purchase volumes. In such cases, fixed-amount VDAs are recognized over the period of the related commitment.

Cash flow statement

The cash flow statement analyzes changes in net cash and cash equivalents, defined as cash and cash equivalents less current bank overdrafts and credit bank balances payable on demand that form an integral component of treasury management

4.1 Segment information

Accounting principles and policies

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

For On-site Services, Revenue and Underlying operating profit are followed by global client segments. These global client segments meet the definition of operating segments in IFRS 8.

The Group's operating segments and groups of operating segments are as follows:

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

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

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

Since the beginning of Fiscal 2020, in some European and Asian countries, contracts have been reallocated from Healthcare & Seniors and Education segments to Business & Administrations segment. Figures for Fiscal 2019 have not been restated given the low materiality of these changes.

No single Group client or contract accounts represents more than 2% of the consolidated revenues.

4.1.1 By business segment

Fiscal 2020 (in millions of euro)	**On-site Services**	**Business & Administrations**	**Healthcare and Seniors**	**Education**	**Benefits & Rewards Services**	**Eliminations and corporate expenses**	**Group total**
Revenues (third-party)	18,554	*10,265*	*4,815*	*3,475*	767	-	19,322
Inter-segment sales (Group)	-	-	-	-	5	(5)	-
TOTAL REVENUES	**18,554**	***10,265***	***4,815***	***3,475***	**773**	**(5)**	**19,322**
UNDERLYING OPERATING PROFIT[(1)]	**478**	***110***	***293***	***75***	**202**	**(123)**	**557**

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

Fiscal 2019 (in millions of euro)	**On-site Services**	**Business & Administrations**	**Healthcare and Seniors**	**Education**	**Benefits & Rewards Services**	**Eliminations and corporate expenses**	**Group total**
Revenues (third-party)	21,067	*11,577*	*5,210*	*4,280*	888	-	21,954
Inter-segment sales (Group)	-	-	-	-	4	(4)	-
TOTAL REVENUES	**21,067**	***11,577***	***5,210***	***4,280***	**892**	**(4)**	**21,954**
UNDERLYING OPERATING PROFIT[(1)]	**1,049**	***487***	***342***	***220***	**276**	**(133)**	**1,193**

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

4.1.2 By significant country

The Group's operations are spread across 64 countries, including two that each represent over 10% of consolidated revenues: France (the Group's country of registration) and the United States. Revenues and non-current assets in these countries are as follows:

August 31, 2020 (in millions of euro)	**France**	**United States**	**Other**	**Total**
Revenues (third-party)	2,405	7,634	9,282	**19,322**
Non-current assets(1)	1,773	4,016	3,316	**9,106**

(1) Property, plant and equipment, goodwill, other intangible assets, client investments and right-of-use assets relating to leases recognized starting September 1st, 2019 in accordance with IFRS 16.

August 31, 2019 (in millions of euro)	**France**	**United States**	**Other**	**Total**
Revenues (third-party)	2,852	9,069	10,033	**21,954**
Non-current assets(1)	1,851	4,085	3,016	**8,952**

(1) Property, plant and equipment, goodwill, other intangible assets, and client investments.

4.1.3 By line of services

Revenues by line of services are as follows:

(in millions of euro)	**Fiscal 2020**	**Fiscal 2019**
Food services	11,181	13,998
Facilities management services	7,373	7,068
Total On-site Services revenues	**18,554**	**21,067**
Benefits & Rewards Services	**773**	**892**
Eliminations	(5)	(4)
TOTAL CONSOLIDATED REVENUES	**19,322**	**21,954**

4.2 Operating expenses by nature and other operating income and expenses

4.2.1 Operating expenses by nature

(in millions of euro)	**Fiscal 2020**	**Fiscal 2019**
Depreciation, amortization and impairment charges(1)	(938)	(382)
Employee costs		
• Wages and salaries	(7,751)	(8,250)
• Other employee costs(2)	(2,232)	(2,380)
Purchases of consumables and change in inventory	(4,751)	(5,784)
Others(3)	(3,591)	(4,107)
TOTAL NET OPERATING EXPENSES	**(19,263)**	**(20,902)**

(1) Including the depreciation of right-of-use assets relating to lease contracts recognized starting September 1st, 2019 in accordance with IFRS 16 (278 million euro in Fiscal 2020).

(2) Primarily payroll taxes, but also including costs associated with defined benefit plans (note 5.1), defined contribution plans (note 5.1) and free share plans (note 5.2.1).

(3) Other expenses mainly include professional fees, other purchases used for operations, sub-contracting costs and travel expenses, as well as lease expenses relating to short-term lease contracts and lease contracts of low value assets, and variable lease payments (not included in the measurement of the lease liabilities)). For Fiscal 2019, other expenses included the lease expense relating to operating lease contracts in accordance with IAS 17.

As a result of the Covid-19 pandemic, significant measures were taken to reduce costs both on-site and off-site. All goverment proposed partial unemployment measures were used. Government Grants in relation with partial unemployment paid to the Group were accounted as a reduction of employee expenses in accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”.

4.2.2 Other operating income and expenses

(in millions of euro)	**Fiscal 2020**	**Fiscal 2019**
Gains related to consolidation scope changes	2	9
Gains on changes of post-employment benefits	2	1
Other	3	1
OTHER OPERATING INCOME	**7**	**11**
Restructuring and rationalization costs	(191)	(46)
Acquisition-related costs	(9)	(11)
Losses related to consolidation scope changes(1)	(14)	-
Losses on changes of post-employment benefits	(4)	(4)
Amortization of purchased intangible assets and impairment of goodwill and non-current assets(1)	(273)	(85)
Other	(19)	(6)
OTHER OPERATING EXPENSES	**(510)**	**(152)**
TOTAL OTHER OPERATING INCOME AND EXPENSES	**(503)**	**(141)**

(1) Including impairment of non-current assets amounting to 249 million euro in Fiscal 2020 (45 million euro in Fiscal 2019), of which 92 million euro on goodwill and 122 million euro on non-current assets relating to contracts with clients.

4.3 Trade and other receivables

4.3.1 Income tax, trade and other receivables

Accounting principles and policies

Trade and other receivables are initially recognized at fair value and are subsequently measured at amortized cost less impairment charges recognized in the income statement.

Trade and other receivables are impaired to reflect the expected credit losses, assessed using an impairment matrix (application of the simplified impairment model as provided for in IFRS 9). This method consists of applying for each aging balance category a separate impairment rate based on historial credit losses adjusted, when necessary, to take into account prospective factors.

(in millions of euro)	August 31, 2020 Gross amount	Impairment	Carrying amount	August 31, 2019 Gross amount	Impairment	Carrying amount
Income tax receivable[1]	**113**	-	**113**	**125**	-	**125**
Advances to suppliers	5	-	5	7	-	7
Trade receivables	3,622	(145)	3,478	3,947	(137)	3,810
Other operating receivables	373	(13)	360	523	(13)	510
Prepaid expenses	198	-	198	289	-	289
Non-operating receivables	28	-	28	10	-	10
Total Trade and other receivables	**4,226**	**(158)**	**4,067**	**4,777**	**(150)**	**4,626**

(1) As of Fiscal 2019, amount net of transferred receivables, of which 41 million euro of CICE tax credits were derecognized since substantially all risks and rewards incidental to the ownership of the account receivables have been transferred (there were no transferred receivables in Fiscal 2020).

The maturities of trade receivables as of August 31, 2020 and August 31, 2019 respectively were as follows:

Breakdown of trade receivables due as of August 31:	August 31, 2020 Gross amount	Impairment	August 31, 2019 Gross amount	Impairment
Less than 3 months past due	403	(8)	510	(11)
More than 3 months and less than 6 months past due	81	(17)	88	(8)
More than 6 months and less than 12 months past due	58	(13)	51	(13)
More than 12 months past due	104	(81)	117	(83)
Total trade receivables due as of August 31	**646**	**(120)**	**765**	**(115)**
Total trade receivables not yet due as of August 31	2,975	(25)	3,182	(22)
Total Trade receivables as of August 31	**3,622**	**(145)**	**3,947**	**(137)**

During the fiscal years presented, the Group was not affected by any significant change resulting from proven client failures. In addition, given the geographic dispersion of the Group's activities and the wide range of client industries, there is no material concentration of risk in individual receivables due but not written down.

Nevertheless, the increase in the average impairment rate (expected credit losses recognized compared to the gross value of receivables) reflects the increase in credit risk generated by the deterioration of the economic and commercial environment resulting from the Covid-19.

4.3.2 Trade and other payables

Accounting principles and policies

Trade and other payables are classified as financial liabilities measured at amortized cost, as defined in IFRS 9 “Financial instruments”. Financial liabilities recognized at their nominal amount, which represents a reasonable estimate of fair value in light of their short maturities.

Sodexo’s group has set up several reverse factoring programs in its main operating countries, which give its suppliers the opportunity of being paid in advance. In practice these programs involve sales of trade receivables to a factor, organized by Sodexo.

Relations between the parties concerned are governed by two totally separate contracts:

- the Group signs a master agreement with the factor, pursuant to which it undertakes to pay on the scheduled due dates the invoices sold by its suppliers to the factor (which have been approved in advance). Each supplier is free to choose whether or not to sell each of its invoices;
- the Group’s suppliers can, if they wish, sign a master agreement with the factor enabling them to sell their invoices before their scheduled due date, on terms that benefit from the Group’s credit rating.

Employee-related liabilities mainly include short-term employee benefits (see note 5.1).

(in millions of euro)	**August 31, 2020**	**August 31, 2019**
Operating payables	183	158
Non-operating payables	13	13
Other non-current liabilities	**196**	**171**
Advances from clients	447	483
Trade payables	1,900	2,517
Employee-related liabilities	1,026	1,184
Tax liabilities	335	327
Other operating payables	136	151
Deferred revenues	115	135
Non-operating payables	63	94
Trade and other current payables	**4,022**	**4,892**
Total Trade and other payables	**4,217**	**5,063**

As of August 31, 2020, the total amount of receivables transferred by Bellon’s suppliers through the reverse factoring programs is 205 million euro (431 million euros as of August 31, 2019).

Trade payables that have been financed through a reverse factoring program as of the fiscal year-end are still classified as trade payables and included in the total of trade payables.

Maturities of trade and other payables (in millions of euro)	**Carrying amount**	**Undiscounted contractual value**
Less than 3 months	2,793	2,793
More than 3 months and less than 6 months	299	299
More than 6 months and less than 12 months	846	846
More than 1 year and less than 5 years	203	220
More than 5 years	74	75
Total Trade and other payables	**4,217**	**4,233**

4.4 Client investments

Accounting principles and policies

Some client contracts provide for a financial contribution by Sodexo. For example, the Group may participate in financing the purchase of equipment or fixtures on the client site that are necessary to fulfill service obligations, or it may make a financial contribution that will be recovered over the life of the contract. These assets are generally amortized over a period of less than 10 years, but may be amortized over a longer period depending on the contract duration. The amortization is recognized as a reduction to revenues over the life of the contract.

In the cash flow statement, changes in the value of these investments are presented as a component of investing cash flows.

(in millions of euro)	Fiscal 2020	Fiscal 2019
Client investments as of September 1st	**626**	**558**
Increases during the fiscal year	117	137
Decreases during the fiscal year	(106)	(105)
Impairment	(25)	-
Newly consolidated companies	-	1
Currency translation adjustment and other movements	(37)	35
Client investments as of August 31st	**575**	**626**

4.5 Benefits & Rewards Services activity

(en millions d'euros)	August 31, 2020	August 31, 2019
Trade and other receivables	1,274	1,226
Trade and other payables(1)	(293)	(292)
Vouchers liabilities(2)	(3,117)	(2,981)
Vouchers in circulation	*(2,604)*	*(2,414)*
Vouchers payables	*(352)*	*(458)*
Others(1)	*(161)*	*(109)*
Working capital excluding restricted cash and financial assets of the Benefits & Rewards Services activity	**(2,136)**	**(2,048)**
Restricted cash and financial assets related to the Benefits & Rewards Services activity	1,103	1,120
Restricted cash	*770*	*678*
Market securities > 3 months	*333*	*442*
Cash and cash equivalents (1)	996	1,042
Bank overdrafts	(16)	(25)
Operating cash assets of the Benefits & Rewards Services activity	**2,082**	**2,136**

(1) Including intragroup transactions.

(2) Vouchers liabilities are accounted at fair value as current liabilities, which is the face value of vouchers in circulation and of vouchers back at Sodexo and not yet reimbursed.

5. Employee benefits and share-based payment

5.1 Employee benefits

Accounting principles and policies

Short-term benefits

Group employees receive short-term benefits such as vacation pay, sick pay, bonuses and other benefits (other than termination benefits), whose payment is expected within 12 months of the related service period.

These benefits are reported as current liabilities.

Post-employment benefits

In accordance with IAS 19 "Employee Benefits", the Group measures and recognizes post-employment benefits as follows:

- contributions to defined-contribution plans are recognized as an expense; and
- defined benefit plans are measured using actuarial valuations.

The Group uses the projected unit credit method as the actuarial method for measuring its post-employment benefit obligations, on the basis of the national or company-wide collective agreements effective within each entity.

Factors used in calculating the obligation include length of service, life expectancy, salary inflation, staff turnover, and macro-economic assumptions specific to countries in which the Group operates (such as inflation rate and discount rate).

Remeasurement of the net obligation under defined benefit plans, including actuarial gains and losses, differences between the return on plan assets and the corresponding interest income recognized in the income statement, and any changes in the effect of the asset ceiling, is recognized in other comprehensive income and have no impact on profit for the period.

Plan amendments and the establishment of new defined benefit plans result in past service costs that are recognized immediately in the income statement.

The accounting treatment applied to defined benefit plans is as follows:

- the obligation, net of plan assets, is recognized as a non-current liability in the consolidated statement of financial position if the obligation exceeds the plan assets;
- if the value of plan assets exceeds the obligation under the plan, the net amount is recognized as a non-current asset. Plan surpluses are recognized as assets only if they represent future economic benefits that will be available to the Group. Where the calculation of the net obligation results in an asset for the Group, the amount recognized for this asset may not exceed the present value of all future refunds and reductions in future contributions under the plan;
- the expense recognized in the income statement comprises:
  - current service cost, past service cost, if any, and the effect of plan settlements, all of which are recorded in operating income,
  - the interest expense (income) on the net defined benefit obligation (asset), calculated by multiplying the obligation (asset) by the discount rate used to measure the defined benefit obligation at the beginning of the period.

The Group contributes to multiemployer plans, primarily in the United States. These plans are accounted for as defined contribution plans, as the information provided by the plan administrators is insufficient for them to be accounted for as defined benefit plans.

Other long-term employee benefits

Other long-term employee benefits are measured in accordance with IAS 19. The expected cost of such benefits is recognized as a non-current liability over the employee's period of service. Actuarial gains and losses and past service costs arising from plan amendments and the establishment of new plans are recognized immediately in the income statement.

5.1.1 Long-term employee benefits

(in millions of euro)	**August 31, 2020**	**August 31, 2019**
Post-employment benefits - Net defined benefit plan assets(1)	(3)	(4)
Post-employment benefits - Net defined benefit plan obligation	196	245
Other long-term employee benefits	150	159
Employee benefits	**343**	**400**

(1) Included in "Other non-current assets" in the consolidated statement of financial position.

5.1.1.1 Post-employment benefits

Defined contribution plans

Under a defined contribution plan, periodic contributions are made to an external entity that is responsible for the administrative and financial management of the plan. Under such a plan, the employer is relieved of any future obligation (the external entity is responsible for paying benefits to employees as they become due and the employer is not required to make additional payments related to prior or current years if the entity does not have sufficient funds).

Contributions to defined contribution plans – which were recognized in operating expenses – amount to 442 million euro for Fiscal 2020, compared to 446 million euro for Fiscal 2019.

Contributions made by the Group are expensed in the period to which they relate.

Defined benefit plans

The characteristics of Group's principal defined benefit plans are described below:

- in France, the obligation primarily represents lump-sum benefits payable on retirement if the employee is still with the Company at retirement age. These obligations are covered by specific provisions in the consolidated statement of financial position;
- in the United Kingdom, Belon's obligation relates to a complementary retirement plan funded by externally held assets, and calculated on the basis of:
  - for managers working in the private sector, a percentage of final base salary,
  - for managers working on public sector contracts, benefits comparable to those offered in the public sector,
  - this plan was closed to new employees effective July 1, 2003 and the level of contributions was increased in order to cover the shortfall in the fund.

The United Kingdom plan is regularly evaluated by the plan's actuary in compliance with UK law. A formal actuarial valuation by the plan's actuary is required to be conducted every three years, and any shortfall identified at that time must be addressed through mutual agreement between the plan's Trustee and Sodexo UK. Following a consultation process with the members of the pension plan carried out with a view to freezing benefit accruals for certain members, an agreement was signed in October 2012 between the plan's Trustee and Sodexo UK whereby from November 1, 2012 the plan would remain open only to employees who transferred to Sodexo UK from the public sector, as Sodexo UK has a legal obligation to pay them certain benefits. As part of the 12-year plan to address the funding shortfall, Sodexo UK also agreed to pay annual contributions of (i) 10 million pounds sterling per year over the five years from January 1, 2013 and (ii) 7.5 million pounds sterling per year over the following seven years. Lastly, in October 2012, Sodexo S.A. issued a parent company guarantee to the Trustee in order to cover Sodexo UK's obligations in connection with the plan. This guarantee is for up to 100 million pounds sterling for a duration of 12 years. On completion of the most recent valuation of the fund in July 2016, Sodexo UK and the Trustee agreed to keep unchanged the amount of contributions and the terms and conditions of the parent company guarantee as set in October 2012.

On October 26, 2018, a judgment was rendered by the High Court of Justice of London in a case concerning the pension plan of another company, on the subject of the equalization of Guaranteed Minimum Pensions ("GMP equalization") between women and men. This judgment clarifies the applicable statutory provisions and confirms the obligation for trustees of the United Kingdom pension plans to eliminate inequalities in the minimum guaranteed pensions of participants in these plans. The impact of this decision has been recognized in Fiscal 2019 and was not significant.

In Continental Europe other than France, the main defined benefit plans are as follows:

- in the Netherlands, certain employees are entitled to complementary retirement or early retirement benefits.

In Fiscal 2017 the Group negotiated an agreement to convert its pension plans in the Netherlands from defined benefit to defined contribution plans as from January 1, 2016. The entitlements accumulated up until that date under the plans in their previous defined benefit form have been frozen and the plans are still accounted for as defined benefit plans in view of the related indexation commitments given by the Group. These plans are fully funded;

- in Italy, there is a legal obligation to pay a lump-sum retirement benefit ("TFR").

Changes in the present value of the defined benefit plan obligation and the fair value of plan assets are shown below:

			Fiscal 2020			Fiscal 2019
(in millions of euro)	Benefit obligation	Plan assets	Net benefit obligation	Benefit obligation	Plan assets	Net benefit obligation
As of September 1	**1,452**	**(1,210)**	**242**	**1,203**	**(967)**	**236**
Expense/(income) recognized in the income statement	39	(19)	21	48	(25)	23
Current service cost	*19*	-	*19*	*17*	-	*17*
Past service cost	*(2)*	-	*(2)*	*1*	-	*1*
Effect of settlements	*(0)*	-	*(0)*	*0*	-	*0*

Interest cost/(income)	*23*	*(19)*	*4*	*31*	*(25)*	*6*
Remeasurement losses/(gains)	5	(49)	(44)	145	(151)	(7)
Actuarial losses/(gains) arising from changes in demographic assumptions	*(4)*	*-*	*(4)*	*(8)*	*-*	*(8)*
Actuarial losses/(gains) arising from changes in financial assumptions	*13*	*(49)*	*(36)*	*199*	*(151)*	*48*
Experience adjustments	*(4)*	*-*	*(4)*	*(47)*	*-*	*(47)*
Currency translation adjustment	5	(5)	-	(6)	8	2
Contributions made by plan members	2	-	2	1	-	1
Employer contributions	-	(19)	(19)	0	(16)	(16)
Benefits paid from plan assets	(38)	38	-	(35)	35	-
Benefits paid other than from plan assets	(8)	-	(8)	(9)	-	(9)
Changes in scope of consolidation and other(1)	21	(20)	1	105	(93)	12
As of August 31	**1,478**	**(1,284)**	**194**	**1,452**	**(1,210)**	**242**
Of which:						
Partially funded plans	*1,350*	*(1,284)*	*65*	*1,321*	*(1,210)*	*110*
Unfunded plans	*129*	*-*	*129*	*131*	*-*	*131*

(1) Including a benefit obligation increase amounting to 15 million euro in Fiscal 2020, and assets for the same amount, linked to the retirement benefit obligations in six UK companies for which the client (public sector) contractually bears all the deficit of the plan.

The amounts recorded in the income statement for defined benefit plans totaled 23 million euro in Fiscal 2020 (23 million euro in Fiscal 2019) and break down as follows:

- net expense of 7 million euro (net expense of 7 million euro in Fiscal 2019) in cost of sales;
- net expense of 12 million euro (net expense of 10 million euro in Fiscal 2019) in SG&A;
- net expense of 4 million euro in financial expenses (see note 12.1).

Defined benefit plan assets comprise:

(in millions of euro)	**August 31, 2020**	**August 31, 2019**
Equities	311	256
Bonds	22	16
Real estate	71	71
Cash	39	26
Investment funds	249	238
Insurance and other	592	603
Total Defined benefit plan assets	**1,284**	**1,210**

Recognized net actuarial gains arising from changes in financial assumptions amounted to 13 million euro, of which 12 million euro in the United Kingdom. In the United Kingdom, these gains were mainly due to the updated discount rate.

The following assumptions were used for actuarial valuations for the principal countries as of August 31, 2020 and 2019:

August 31, 2020	France	Netherlands	United Kingdom[(4)]	Italy
Discount rate[(1)]	1.2%	0.95%	1.7%	0.65%
Salary long-term inflation rate[(2)]	2.25%	*N/A*	3.4%	*N/A*
General long-term inflation rate	1.75%	1.75%	2.1%-2.9%[(3)]	1.75%
Net liability (in millions of euro)	88	1	4	18
Average term of the plans (in years)	9	19	19	8

(1) Discount rates in each country have been adjusted to reflect the term of the plans. For the euro zone and the United Kingdom, the Group uses discount rates based on yield curves for high quality corporate bonds drawn up by an external actuary.
(2) The salary inflation rate disclosed includes general inflation.
(3) Retail Price Index (RPI): 2.9%; Consumer Price Index (CPI): 2.1% for Fiscal 2020.
(4) Excluding 104 million euro in retirement benefit obligations in the 6 UK companies (offset by an asset in the same amount).

August 31, 2019	France	Netherlands	United Kingdom[(4)]	Italy
Discount rate[(1)]	0.75%-1.25%	1.25%-2.25%	1.8%-2.8%	0.3%
Salary long-term inflation rate[(2)]	2.75%	2%	3.5%	*N/A*
General long-term inflation rate	1.75%	1.75%	2%-3%[(3)]	1.75%
Net liability (in millions of euro)	91	10	38	20
Average term of the plans (in years)	12	20	19	8

(1) Discount rates in each country have been adjusted to reflect the term of the plans. For the euro zone and the United Kingdom, the Group uses discount rates based on yield curves for high quality corporate bonds drawn up by an external actuary.
(2) The salary inflation rate disclosed includes general inflation.
(3) Retail Price Index (RPI): 3%; Consumer Price Index (CPI): 2% for Fiscal 2019.
(4) Excluding 90 million euro in retirement benefit obligations in the 6 UK companies (offset by an asset in the same amount).

With respect to the assumptions provided in the above table, for Fiscal Year 2020, and excluding the 104 million euro retirement benefit obligations in the 6 UK companies (offset by an asset in the same amount), a reduction of 1% in the discount rate would increase the gross obligation to 1,642 million euro (compared with 1,373 million euro based on the assumptions used as of August 31, 2020), while a rise of 0.5% in the general long-term inflation rate would increase the gross obligation to 1,461 million euro.

Based on estimates derived from reasonable assumptions, the Group will pay 18 million euro into defined benefit plans in Fiscal 2021.

Multiemployer plans

In the USA, as of August 31, 2020, the Company contributed to 78 multiemployer defined benefit pension plans under the terms of collective-bargaining agreements (“CBA”) that cover its union-represented employees. The risks of participating in these multiemployer plans are different than those of single-employer plans in the following respects:

- assets contributed to the multiemployer plan by the Company are used to provide benefits to all beneficiaries of the plan, including beneficiaries of other participating employers;
- if a multiemployer plan is considered to be in “critical” status as defined by the U.S. Pension Protection Act of 2006, the plan will be required to adopt a rehabilitation plan which may require the Company to increase its required contributions to the plan;
- if a participating employer ceases to contribute to the plan, the unfunded obligations of the plan may have to be borne by the Company and the other remaining participating employers; and
- if the Company ceases to participate in a multiemployer plan, entirely or partially in excess of a threshold, or if substantially all of the participating employers of a given plan cease to participate, the Company may be required to pay

that plan an amount based on the value of unfunded vested benefits of the plan and the Company's *pro-rata* share of total plan contributions, referred to as withdrawal liability.

The Company does not have the ability to account for these multiemployer plans as defined benefit plans because it does not have timely access to information about plan assets, plan obligations, actuarial gains and losses, service costs, and interest costs. As such, the multiemployer plans are accounted for as defined contribution plans.

The Company contributed 8 million euro to U.S. multiemployer defined benefit plans in Fiscal 2020 and 13 million euro in Fiscal 2019. Of the contributions made by the Company, 49% and 1% were made to plans considered to be in "critical" status or "endangered" status, respectively, as defined by the U.S. Pension Protection Act of 2006 and per each plan's most-recent notice of plan funding status. Plans are generally considered to be in "critical" status when they are funded at less than 65%, among other factors, and are considered to be "endangered" when they are funded at 65% or more, but at less than 80%, among other factors.

5.1.1.2 Other employee benefits

Other employee benefits, for an amount of 150 million euro as of August 31, 2020 (159 million euro as of August 31, 2019), mainly comprise a liability related to a deferred compensation program in the United States and obligations relating to long-service awards.

The total expense recognized with respect to these benefits in Fiscal 2020 was 16 million euro (9 million euro in Fiscal 2019), of which 2 million euro (unchanged like in Fiscal 2019) related to a deferred compensation program in the United States and was reported in financial expenses.

5.2 Share-based payment

Accounting principles and policies

Some Group employees receive compensation in the form of share-based payments, for which payment is made in equity instruments.

The services compensated by these plans are recognized as an expense, with the offset recognized in shareholders' equity, over the vesting period. The amount of expense recognized in each period is determined by reference to the fair value of the equity instruments granted, as of the grant date.

The fair value of free shares is estimated at the date of grant based on the share price at that date after deductions for dividends on the shares that will not be paid to beneficiaries during the vesting period and, where applicable, a lock-up discount. The lock-up discount is determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan, taking into account market inputs.The fair value of free shares subject to a performance condition based on Total Shareholder Return is estimated using a binomial model that takes into account the vesting conditions.

Each year, the Group reassesses the number of potentially exercisable stock options that are expected to vest as well as the number of shares that is likely to be delivered to beneficiaries of free shares based on the applicable vesting conditions. The impact of any change in estimates is recognized in the income statement, with the offset recognized in shareholders' equity.

5.2.1 Free share plans

Principle features of free share plans

Rules governing free share plans are as follows:

- free shares vest only if the beneficiary is still working for the Group on the vesting date; in addition, some free share grants are subject to a performance condition;
- for the free shares awarded in 2015, for beneficiaries who are French tax residents the vesting period is two or three years for shares not subject to any performance condition and three years for performance shares, provided in both cases that the beneficiary is still working for the Group on the vesting date. For non-French tax residents, the vesting period is four years. Free shares awarded to French tax residents are also subject to a two-year lock-up period as from the vesting date;
- for the free shares awarded since 2016, the vesting period for all beneficiaries is four years, with no subsequent lock-up period. In addition, beneficiaries must still be working for the Group on the vesting date in order for the shares to vest;
- until 2018, the proportion of shares subject to a performance condition ranges from 0% to 80% (depending on the total number of shares awarded), except for the shares granted to the Group Chief Executive Officer which consist solely of performance shares;
- since 2019, all shares granted to the members of the Group Executive Committee consist of performance shares.

The performance conditions other than those related to stock market performance ("non-market performance conditions") were as follows:

- for the free shares awarded in 2015, the non-market performance condition is based on annual growth in Group net income over a three-year period;
- for the free shares awarded since 2016, the non-market performance condition is based on annual growth in consolidated underlying operating profit (before exceptional items and excluding currency effects) over a four-year period. For the 2018 plan, a portion of the shares is also subject to the achievement of Corporate Responsibility objectives. In 2019, a condition based on organic growth has been added.

Since the 2015 plan, a portion of the free shares awarded has also been subject to a stock market performance condition as follows:

- for the 2015 plan, a portion of the shares awarded to members of the Group Executive Committee is subject to a Total Shareholder Return (TSR) target. TSR is a measure of the performance of a company's shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. For the free shares awarded in 2015, the TSR must have increased by at least 20% between August 31, 2014 and the Annual Shareholders' Meeting called to approve the Fiscal 2018 financial statements, in January 2018;
- for the 2016 and 2017 plans, a portion of the shares awarded to the members of the Group Executive Committee and to beneficiaries of more than 1,000 shares under the 2017 plan, are subject to a TSR performance condition. For the shares subject to this condition to vest, Sodexo's TSR must be positive and outperform the CAC 40 GR (Gross Total Return) index, published by Euronext, between (i) January 27, 2016 and the date of the Annual Shareholders' Meeting called to approve the Fiscal 2019 financial statements for the 2016 plan, and (ii) January 25, 2017 and the date of the Annual Shareholders' Meeting called to approve the Fiscal 2020 financial statements for the 2017 plan;
- for the 2018 plan, a portion of the shares awarded to the members of the Group Executive Committee and to beneficiaries of more than 250 shares, Bellon's TSR will be compared to that of two peer groups. The first peer group is made up of 12 companies selected based on their size, the similarity of their operations to those of Sodexo and the fact that they all operate in the outsourcing and shared services industry. The second peer group comprises CAC 40 companies. In both cases, the number of shares that will vest will depend on Sodexo's ranking within the peer group, with no shares vesting if Bellon's ranking is below the third quartile. The starting share price used will be the average of the share prices quoted over the thirty (30) calendar days preceding the plan grant date. The end share price used to measure the overall stock market performance will be the average of the share prices quoted over the thirty (30) calendar days preceding the performance assessment date (March 27, 2022);
- for the 2019 plan, Bellon's TSR will be compared to that of the peer group made up of 12 companies selected based on their size, the similarity of their operations to those of the Group and the fact that they all operate in the outsourcing and shared services industry. This condition is only applicable to the shares awarded to the Group Chief Executive Officer and to the members of the Group Executive Committee.

Movements in Fiscal 2020 and Fiscal 2019

The table below shows movements in Sodexo free shares in Fiscal 2020 and Fiscal 2019:

	Fiscal 2020	Fiscal 2019
Outstanding at the beginning of the year	**3,241,464**	**3,025,219**
Granted during the year	10,000	845,090
Forfeited during the year	(354,213)	(170,620)
Delivered during the year	(449,497)	(458,225)
Outstanding at the end of the year	**2,447,754**	**3,241,464**

The weighted average fair value of the Sodexo free shares granted in Fiscal 2020 is 88.41 euros per share (91.3 euros per shares granted in Fiscal 2019).

The table below shows the grant dates of free shares outstanding as of August 31, 2020, the assumptions used to estimate their fair value at the grant date and the number of free shares outstanding at the period end:

Date of grant		Vesting period (in years)	Lock-up period (in years)	Expected dividend yield (in %)	Risk-free interest rate (in %)	Loan interest rate (in %)	Volatility(1) (in %)	Number of shares outstanding as of August 31
April 27, 2015	France	3	2	2.5%	0.1%	5.2%	21%	-

Date of grant		Vesting period (in years)	Lock-up period (in years)	Expected dividend yield (in %)	Risk-free interest rate (in %)	Loan interest rate (in %)	Volatility[(1)] (in %)	Number of shares outstanding as of August 31
April 27, 2015	International	4	N/A	2.5%	0.2%	5.2%	21%	-
December 1, 2015	France	2	2	2.5%	0%	4.3%	22.5%	-
December 1, 2015	France	3	2	2.5%	0%	4.3%	22.5%	-
December 1, 2015	International	4	N/A	2.5%	0%	4.3%	22.5%	-
April 27, 2016	International	4	N/A	2.5%	0%	N/A	22%	-
September 30, 2016	International	4	N/A	2.5%	0%	N/A	22%	11,300
November 30, 2016	International	4	N/A	2.5%	0%	N/A	22%	10,000
April 20, 2017	International	4	N/A	2.4%	0%	N/A	18.1%	765,814
September 14, 2017	International	4	N/A	2.4%	0%	N/A	18.1%	13,000
April 27, 2018	International	4	N/A	2.7%	0%	N/A	21.3%	820,460
September 13, 2018	International	4	N/A	2.7%	0%	N/A	21.3%	32,400
June 19, 2019	International	4	N/A	3.0 %	0%	N/A	21.9 %	784,780
November 6, 2019	International	4	N/A	3.0 %	0%	N/A	21.9 %	10,000
Total								**2,447,754**

(1) Applicable for the portion of the free share grants subject to the TSR performance condition. Volatility is determined by reference to the share's historical weighted average volatility over five years and the implicit volatility expected by the market.

5.2.2 Expense recognized during the fiscal year

The expense recognized in the Fiscal 2020 income statement for free shares is 39 million euro (33 million euro in Fiscal 2019).

5.3 Group employees

The following table shows the headcount of Group employees:

	August 31, 2020	August 31, 2019
Total headcount as of August 31st	**422,723**	**470 247**

During Fiscal 2020, 38,000 employees were let go segment-wide as a consequence of the pandemic.

5.4 Compensation, loans, post-employment benefits and other benefitsgranted to Board members and the Executive Committee of Bellon S.A.

The compensation, loans, post-employment benefits and other benefits granted to Board members, the Executive Committee, including the Group Chief Executive Officer of Bellon in office as of August 31, 2020 and August 31, 2019 respectively for Fiscal 2020 and Fiscal 2019 comprise the following:

(in euro)	Fiscal 2020	Fiscal 2019
Compensation paid by Bellon S.A. to members of its Executive and Supervisory Boards	850,015	961,680
Directors' fees paid by Bellon S.A. to members of its Executive and Supervisory Boards	250,000	240,000
Directors' fees paid by Sodexo to members of its Board of Directors who are also members of Bellon S.A.'s Executive and Supervisory Boards	154,600	200,600
Compensation and benefits paid by Sodexo subsidiaries to members of Sodexo's Board of Directors who are also members of Bellon S.A.'s Executive and Supervisory Boards	808,777	926,149
TOTAL	**2,063,392**	**2,328,429**

These benefits include directors' compensations, and all forms of compensation and benefits paid (or earned during the period for offices held) by Bellon SA, Sodexo S.A. and/or other Sodexo Group companies.

6. Goodwill, others intangible and tangible assets

6.1 Goodwill

Accounting principles and policies

Goodwill

Any residual difference between the fair value of the consideration transferred (for example the amount paid), increased by the amount of the non-controlling interest in the acquired company (measured either at fair value or its share in the fair value of the identifiable net assets acquired) and the fair value as of the date of acquisition of the assets acquired and liabilities assumed, is recognized as goodwill in the statement of financial position.

The Group measures non-controlling interests on a case-by-case basis for each business combination either at fair value or based on their percentage interest in the fair value of identifiable net assets acquired.

Bargain purchases

When the fair value of the assets acquired and the liabilities assumed as of the acquisition date is greater than acquisition cost, increased by the amount of any non-controlling interest, the excess – representing negative goodwill – is immediately recognized in the income statement in the period of acquisition, after reviewing the procedures for the identification and measurement of the different components included in the calculation.

Transactions in non-controlling interests

Changes in non-controlling interests, in the absence of either assumption or loss of control, are recognized in shareholders' equity. In particular, when additional shares in an entity already controlled by the Group are acquired, the difference between the acquisition cost of the shares and the share of net assets acquired is recognized in equity attributable to equity holders of the parent. The consolidated value of the assets and liabilities of the subsidiary (including goodwill) remains unchanged.

Purchase price adjustments and/or earn-outs

Purchase price adjustments and/or earn-outs related to business combinations are recognized at their fair value as of the date of acquisition even if they are considered to be not probable. After the date of acquisition, changes in estimates of the fair value of price adjustments lead to an adjustment to goodwill only if they occur within the time allowed (a maximum of one year as of the date of acquisition) and if they result from facts and circumstances that existed at the acquisition date. In all other cases, the change is recognized in profit or loss except when the consideration transferred consists of an equity instrument.

Changes in goodwill during the fiscal year were as following:

(in millions of euro)	August 31, 2019	Increases during the period	Decreases during the period	Impairment	Reclassification	Currency translation adjustment	August 31, 2020
Corporate Services	1,024	4	-	-	(35)	(55)	938
Government & Agencies	362	-	-	-	(34)	(6)	322
Sports & Leisure	439	-	-	(64)	18	(24)	369
Energy & Resources	329	-	-	-	(15)	(25)	289
Other non-segmented activities	438	13	-	-	88	(15)	523
Business & Administrations	**2,591**	**17**	**-**	**(64)**	**23**	**(125)**	**2,441**
Healthcare	1,040	-	-	-	(60)	(61)	920

Seniors	554	53	-	-	48	(40)	616
Healthcare and Seniors	**1,595**	**53**	**-**	**-**	**(11)**	**(101)**	**1,536**
Schools	441	5	(9)	(4)	73	(21)	484
Universities	901	-	-	-	(85)	(60)	756
Education	**1,342**	**5**	**(9)**	**(4)**	**(12)**	**(81)**	**1,240**
On-site Services	**5,528**	**75**	**(9)**	**(68)**	**-**	**(307)**	**5,217**
Benefits & Rewards Services	**631**	**12**	**-**	**(24)**	**-**	**(72)**	**547**
Sodexo	**206**	**-**	**-**	**-**	**-**	**-**	**206**
Total	**6,364**	**87**	**(9)**	**(92)**	**-**	**(379)**	**5,970**

The Group recognized an impairement charge of for 92 million euro, mainly in the Sports & Leisure segment (see note 6.4 “Impairment of assets”).

Reclassifications during Fiscal 2020 relate to the reallocation of contracts since the beginning of Fiscal 2020, in some European and Asian countries (from Healthcare & Seniors and Education segments to Business & Administrations segment).

(in millions of euro)	**August 31, 2018**	**Increases during the period**	**Decreases during the period**	**Currency translation adjustment**	**August 31, 2019**
Corporate Services	1,001	-	-	23	1,024
Government & Agencies	359	-	-	3	362
Sports & Leisure	415	6	-	18	439
Energy & Resources	320	-	-	10	329
Other non-segmented activities	325	107	-	7	438
Business & Administrations	**2,420**	**113**	**-**	**62**	**2,591**
Healthcare	998	-	-	42	1,040
Seniors	424	117	-	14	554
Healthcare and Seniors	**1,422**	**117**	**-**	**56**	**1,595**
Schools	352	78	-	11	441
Universities	855	-	-	46	901
Education	**1,207**	**78**	**-**	**57**	**1,342**
On-site Services	**5,049**	**307**	**-**	**174**	**5,528**
Benefits & Rewards Services	**615**	**-**	**-**	**15**	**631**
Sodexo	**260**	**-**	**-**	**-**	**260**
Total	**5,870**	**307**	**-**	**188**	**6,364**

During the Fiscal 2019 goodwill totaling 307 million euro was recognized on the acquisition of *Novae Restauration*, *Alliance in Partnership* in Schools, *Pronep* in Homecare, *Crèches de France, The Good Care Group*, *Domicil* + and *Elly & Stoffl* in Homecare and *International Club of Suppliers,* as well as the adjustment to Sports & Leisure related to the prior year's acquisition of *Centerplate Inc*.

6.2 Other intangible assets

Accounting principles and policies

Separately acquired intangible assets are initially measured at cost. Intangible assets acquired in connection with a business combination and which can be reliably measured, are controlled by the Group and are separable or arise from a legal or contractual right, are recognized at fair value separately from goodwill. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and impairment charges.

Intangible assets other than certain trademarks having an indefinite useful life are considered to have finite useful lives, and are amortized by the straight-line method over their expected useful lives:

Integrated management software	3-7 years
Other software	3-4 years
Patents and licenses	2-10 years
Client relationships	3-20 years
Other intangible assets	3-20 years

Acquired trademarks with a finite useful life are generally amortized over a period of less than ten years. Trademarks that the Group considers as having an indefinite useful life (notably based on criteria relating to their durability and brand recognition) are not amortized. The amortization periods for client relationships recognized in connection with business combinations have been set by Management based on the estimated attrition rate for the contracts concerned (with a maximum of 20 years).

The cost of licenses and software recognized in the statement of financial position comprises the costs incurred in acquiring the software and bringing it into use, and is amortized over the estimated useful life of the asset.

Subsequent expenditures on intangible assets are capitalized only if they increase the expected future economic benefits associated with the asset to which they relate. Other expenditures are expensed as incurred.

6.2.1 Gross value of other intangible assets

(in millions of euro)	Licenses and software	Client relationships, trademarks and other	Total
Gross value as of August 31, 2018	**577**	**847**	**1,424**
Increase	106	82	188
Decrease	(36)	(6)	(42)
Translation Adjustments	9	28	37
Reclassifications	(4)	(13)	(17)
Change in scope of consolidation	-	42	42
Other	-	-	-
Gross value as of August 31, 2019	**652**	**980**	**1,632**
Increase	116	54	170
Decrease	(52)	(57)	(109)
Translation Adjustments	(26)	(66)	(92)
Reclassifications	(15)	15	-

Change in scope of consolidation	3	-	3
Other	-	-	-
Gross value as of August 31, 2020	**679**	**927**	**1,605**

6.2.2 Amortization and impairment of other intangible assets

(in millions of euro)	Licenses and software	Client relationships, trademarks and other	Total
Amortization and impairment as of August 31, 2018	**(376)**	**(344)**	**(720)**
Amortization	(63)	(63)	(126)
Reversals	34	4	38
Impairment	-	(24)	(24)
Translation Adjustments	(5)	(6)	(11)
Reclassifications	2	10	12
Change in scope of consolidation	-	-	-
Other	-	-	-
Amortization and impairment August as of 31, 2019	**(408)**	**(423)**	**(831)**
Amortization	(77)	(89)	(166)
Reversals	44	4	48
Impairment	(21)	(13)	(33)
Translation Adjustments	18	32	50
Reclassifications	13	(13)	-
Change in scope of consolidation	-	-	-
Other	-	-	-
Amortization and impairment as of August 31, 2020	**(432)**	**(501)**	**(933)**

Amortization is reported under either cost of sales or Administrative and Sales Department costs, except for amortization of client relationships and trademarks, which are recognized in “Other operating expenses”.

6.2.3 Net value of other intangible assets

(in millions of euro)	Licenses and software	Client relationships, trademarks and other	Total
Net carrying amount as of August 31, 2018	201	503	704
Net carrying amount as of August 31, 2019	244	557	801
Net carrying amount as of August 31, 2020	**247**	**425**	**673**

6.3 Property, plant and equipment

Accounting principles and policies

Property, plant and equipment are measured at cost less accumulated depreciation and impairment charges, except for land, which is measured at cost less accumulated impairment charges. Cost includes expenditures directly incurred to acquire the asset, and in some cases may also include estimated unavoidable future dismantling, removal and site remediation costs.

Subsequent expenditures are included in the carrying amount of the asset, or recognized as a separate component, if it is probable that the future economic benefits of the expenditures will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs are recognized as expenses during the period in which they are incurred, except costs incurred to improve productivity or extend the useful life of an asset, which are capitalized.

Items of property, plant and equipment are depreciated over their expected useful lives using the component-based approach, taking account of their residual value. The straight-line method of depreciation is regarded as the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in items of property, plant and equipment.

The useful lives generally used by the Group are:

Buildings	20-30 years
General fixtures and fittings	3-10 years
Plant and machinery	3-8 years
Motor vehicles	4 years
Boats and pontoons (depending on the component)	5-15 years

The residual values and useful lives of items of property, plant and equipment are reviewed at each period end and, if necessary, adjusted.

The carrying amounts of items of property, plant and equipment are tested for impairment if there is an indication that an item may be subject to impairment.

6.3.1 Gross value of property, plant and equipment

(in millions of euro)	Land and buildings	Plant and equipment	Construction in progress and other	Total
Gross value as of August as of 31, 2018	**98**	**1,630**	**206**	**1,935**
Increase	3	197	51	251
Decrease	(1)	(102)	(12)	(115)
Translation Adjustments	-	23	4	27
Reclassifications	2	6	(33)	(25)
Change in scope of consolidation	39	27	-	66
Other	-	-	-	-
Gross value as of August as of 31, 2019	**141**	**1,781**	**216**	**2,138**
Increase	4	164	43	211
Decrease	(1)	(81)	(14)	(96)
Translation Adjustments	(2)	(71)	(6)	(78)
Reclassifications	(7)	6	(24)	(25)
Change in scope of consolidation	1	9	-	9
Other	-	-	-	-
Gross value as of August 31, 2020	**136**	**1,807**	**216**	**2,159**

No item of property, plant and equipment is pledged as collateral for a liability.

6.3.2 Depreciation and impairment of property, plant and equipment

(in millions of euro)	Land and buildings	Plant and equipment	Construction in progress and other	Total
Depreciation and impairment as of August 31, 2018	**(51)**	**(1,138)**	**(126)**	**(1,316)**
Depreciation	(9)	(185)	(22)	(216)
Reversals	-	84	13	97
Impairment	-	1	-	1
Translation Adjustments	-	(14)	(3)	(17)
Reclassifications	1	21	3	25
Change in scope of consolidation	(14)	(14)	-	(28)
Other	-	-	-	-
Depreciation and impairment as of August 31, 2019	**(73)**	**(1,246)**	**(135)**	**(1,454)**
Depreciation	(8)	(184)	(24)	(216)
Reversals	-	69	8	77
Impairment	(13)	(48)	(3)	(64)
Translation Adjustments	1	46	4	51
Reclassifications	5	8	5	19
Change in scope of consolidation	(1)	(6)	-	(6)
Other	-	-	-	-
Depreciation and impairment as of August 31, 2020	**(87)**	**(1,362)**	**(144)**	**(1,593)**

Depreciation is reported under either cost of sales or Administrative and Sales Department costs.

The Group impaired 64 million euro, of which 53 million euro impacted the Sports & Leisure segment, mostly in France and in North America (see Note 6.4 “Impairment of non-current assets”).

6.3.3 Net book value of property, plant and equipment

(in millions of euro)	Buildings	Plant and equipment	Construction in progress and other	Total
Net carrying amount as of August 31, 2018	47	492	80	619
Net carrying amount as of August 31, 2019	68	535	81	684
Net carrying amount as of August 31, 2020	**49**	**446**	**72**	**566**

6.4 Impairment of non-current assets

Accounting principles and policies

Impairment of assets with finite useful lives

Property, plant and equipment and intangible assets with finite useful lives are tested for impairment if there is any indication of impairment. Impairment charges are recognized in the income statement, and may be reversed subsequently.

Impairment of assets with indefinite useful lives

Goodwill and other intangible assets considered to have an indefinite useful life (such as certain trademarks) are tested for impairment whenever there is an indication of impairment, and at least annually, in the last quarter of the fiscal year. The results of the impairment tests are then confirmed using actual data as of August 31.

Cash Generating Units

Assets that do not generate cash inflows that are largely independent of those from other assets, and hence cannot be tested for impairment individually, are grouped together in Cash Generating Units (CGUs).

Impairment tests are performed at the level of the CGU or group of CGUs corresponding to the lowest level at which goodwill is monitored by the Group.

Goodwill is generally analyzed per operating segment, as reflected in the Group's organizational structure (see note 4.1):

- On-site Services activity:
  - Business & Administrations, which includes Corporate Services, Energy & Resources, Government & Agencies, Sports & Leisure and other non-segmented activities,
  - Healthcare, combined with Seniors,
  - Education, comprising Schools and Universities;
- the Benefits & Rewards Services activity corresponds to a single CGU.

Goodwill is not tested for impairment at a higher level than the operating segments before aggregation for segment reporting.

The assets allocated to each CGU or group of CGUs comprise:

- goodwill, which is allocated when the CGU or group of CGUs is likely to benefit from the business combination;
- other intangible assets, property, plant and equipment, client investments and net working capital.

Indications of impairment

The main indicators that a CGU or group of CGUs may be impaired are a significant decrease in the CGU's or group of CGUs' revenues and underlying operating profit or material changes in market trends.

Methods used to determine the recoverable amount

An impairment charge is recognized in the income statement when the carrying amount of an asset or CGU or group of CGUs is greater than its recoverable amount.

Recoverable amount is the greater of:

- fair value less costs of disposal, *i.e.*, the amount obtainable from the sale of an asset (net of selling costs) in an orderly transaction between market participants at the measurement date; and
- value in use, which is the present value of the future cash flows expected to be derived from continuing use and ultimate disposal of the asset or CGU or group of CGUs.

The value in use of a CGU or group of CGUs is estimated using after-tax cash flow projections based on business plans and a terminal value calculated by extrapolating data for the final year of the business plan. Business plans generally cover one to five years. These plans have been drawn up for each operating segment resulting from the Group's organizational structure as described in note 4.1.

Management both at Group and subsidiary levels prepares underlying profit forecasts on the basis of past performance and expected market trends.

The growth rate used beyond the initial period of the business plans reflects the growth rate of the operating segment concerned, taking into account the geographic regions in which the operating segment conducts business.

Expected future cash flows are discounted at the weighted average cost of capital calculated for the Group. For certain CGUs or groups of CGUs a premium is added to the weighted average cost of capital in order to reflect the greater risk factors affecting certain countries in which the operating segment concerned conducts business.

Recognition of impairment charges

An impairment charge recognized with respect to a CGU or group of CGUs is allocated initially to reducing the carrying amount of any goodwill allocated to that CGU, and then to reducing the carrying amount of the other assets of the CGU or group of CGUs in proportion to the carrying amount of each asset.

Reversal of impairment charges

Impairment charges recognized with respect to goodwill cannot be reversed.

Impairment charges recognized with respect to any other asset may only be reversed if there is an indication that the impairment charge is lower or no longer exists. The amount reversed is based on the new estimates of the recoverable amount.

The increased carrying amount of an asset resulting from the reversal of an impairment charge cannot exceed the carrying amount that would have been determined for that asset had no impairment charge been recognized.

Accumulated impairment charges against property, plant and equipment and intangible assets (including goodwill) amounted to 222 million euro as of August 31, 2020 (58 million euro as of August 31, 2019), taking into account a net loss of 188 million euro recognized in other operating expenses in Fiscal 2020 (24 million euro in Fiscal 2019).

The main assumptions used were as follows:

	Fiscal 2020		Fiscal 2019	
	Discount rate	**Long-term growth rate**	**Discount rate**	**Long-term growth rate**
Corporate Services	8.0%	2.1%	6.8%	2.4%
Energy & Resources	8.6%	2.4%	7.2%	3.0%
Government & Agencies	7.4%	1.9%	6.4%	2.2%
Sports & Leisure	7.3%	1.9%	6.3%	2.3%
Healthcare	7.4%	2.0%	6.4%	2.4%
Seniors	7.5%	1.9%	6.6%	2.2%
Schools	7.4%	1.9%	6.3%	2.2%
Universities	7.2%	2.0%	6.2%	2.5%
Other non-segmented activities	7.8%	1.9%	6.4%	2.0%
Benefits & Rewards Services	9.5%	2.3%	8.0%	3.2%

The discount rates used by segment (group of CGUs) were set based on the weighted average of the discount rates for each geographic region, taking into account the relative weighting of each segment in the Group's revenues:

	Discount rate	
	Fiscal 2020	**Fiscal 2019**
Continental Europe	7.6%	6.4%
North America	7.2%	6.2%
United Kingdom and Ireland	7.3%	6.3%
Latin America	10.5%	8.5%
Rest of the World (excluding Latin America)	8.3%	7.0%
Group	7.2%	6.2%

Sensitivity analysis

The Group has analyzed the sensitivity of goodwill impairment test results to different financial and operational scenarios.

For the Sports & Leisure segment, the adjustment of financial and operational assumptions underlying the forecast cash flows, reflected an impairment of 64 million euro during fiscal 2020; a 10% decrease in forecast net cash flows over the time period of the business plans prepared by management and in terminal value would lead to an additional impairment charge of 50 million euro. A 200 basis points increase in the discount rate would result in an additional impairment charge of 229 million euro.

For other segments:

- The results of the goodwill sensitivity analysis indicated no probable scenario where a change in the discount rate or long-term growth rate would result in the recoverable amount of segment assets becoming less than its carrying amount. In fact, the results of the impairment testing demonstrate that even an increase of 200 basis points in the discount rate or a reduction of 200 basis points in the long-term growth rate would not result in an impairment of the assets tested for any segment.

- The Group also performed a sensitivity analysis on the operational assumptions used in order to determine whether a 10% decrease in forecast net cash flows over the time period of the business plans prepared by management and in terminal value would result in the recognition of an impairment charge in the Group's consolidated financial statements as of August 31, 2020. The results of this analysis did not indicate any risk of impairment for any of the segments, except for Sports & Leisure.

7. Leases

Accounting principles and policies

The Group determines whether a contract is or contains a lease at inception of the contract. The Group classifies as a lease a contract that conveys to the Group the right to control the use of an identified asset for a given period of time.

Leases are recognized on the consolidated statement of financial position at the commencement date of the contract, except for leases covered by the exemptions allowed by IFRS 16 (short-term leases and leases of low vale assets), adopted by the Group.

Leases are reflected in the consolidated statement of financial position by recognizing an asset representing the right to use the leased asset and a related liability corresponding to the obligation to make future lease payments. In the consolidated income statement, a depreciation of the right-of-use assets is recorded in operating expenses, separately from the interest expense on lease liabilities. In the consolidated cash flow statement, cash outflows relating to interest on lease liabilities impact operating activities flows, while repayment of the lease liabilities impact financing activities flows.

Short-term leases (i.e. lease term of 12 months or less) and leases of low-value assets (such as IT equipment) are expensed directly in operating expenses on a straight-line basis over the lease term.

The leases contracted by the Group as a lessee mainly relate to the following categories of assets:

- Real estate (land and buildings): The Group leases land and buildings for its offices, as well as for its Personal & Home Services activity (mainly childcare facilities). Terms and conditions are negotiated on an individual case basis and contain numerous different clauses, depending on the legal environment specific to each country. These leases are entered into for terms of 1 to 20 years and may contain extension options;
- Sites and spaces operated as part of concession arrangements: The Group operates various sites (restaurants, retail spaces and kitchens) made available pursuant to concession agreements. The commissions paid in that respect are based on performance indicators of the location (variable payments, generally based on turnover) and may contain a minimum guarantee fee. Terms and conditions are negotiated on an individual case basis and contain numerous different clauses. These leases are entered into for terms of 1 to 18 years and may contain extension options;
- Vehicles: The Group leases vehicles for some of its employees. These leases are entered into for terms of 1 to 5 years;
- Equipment: The Group also leases some equipment necessary for its operations (kitchen equipment, vending machines…). Terms and conditions are negotiated on a case-by-case basis and contain numerous different clauses. These leases are entered into for terms of 1 to 5 years and may contain extension options.

7.1 Lease liabilities

Accounting principles and policies

The Group recognizes a lease liability at the date on which the underlying asset is made available for use. The lease liability is measured at the net present value of lease payments to be made over the lease term.

Lease payments

The lease payments included in the measurement of the lease liability comprise:

- Fixed rents (including minimum guarantee fee to be paid in accordance with concession agreements), less any lease incentive receivable from the lessor;
- Variable rents that depend on an index or a rate;
- In-substance fixed payments.

Payments expected to be made to the lessor at the termination of the contract are also included (relatively rare in practice within the Group), such as:

- Residual value guarantees;
- Exercise price of a purchase option, when its exercise is reasonably certain; and
- Termination penalties payable to the lessor, when the exercise of a termination option is reasonably certain.

Variable lease payments that do not depend on an index or a rate (notably, rents or commissions based on turnover) remain recognized in operating expenses when incurred. In addition, the Group elected to exclude, where applicable, non-lease components of the contract in the measurement of the lease liability (for example, vehicle maintenance services). Consequently, payments in relation with service components of the lease contracts are recorded in operating expenses, in the same way as variable lease payments.

Lease term

The lease term is assessed for each lease as the non-cancellable period of the contract, adjusted to reflect periods covered by an option to extend the lease that the Group is reasonably certain to exercise, and periods covered by an option to terminate the lease that the Group is reasonably certain not to exercise.

The legal environment and market practices specific to each country are also considered in assessing the lease term. This applies in particular to open-ended leases, for which enforceable period is determined in light of circumstances specific to each situation. In assessing the enforceable period of each contract, the Group determines whether it would incur a penalty on termination that is more than insignificant, taking into account various relevant indicators (indemnities arising from contractual obligations and economic penalties based on operational criteria, in accordance with the clarifications provided by IFRS IC). In the specific case of French commercial property leases (also referred to as “3/6/9 leases”), the assessment is made on a case-by-case basis, that may lead to consider an enforceable period that is beyond the residual length of the initial 9-year term in some instances.

Discount rate

The discount rate used is generally the lessee incremental borrowing rate, as the rate implicit in the lease cannot be readily determined for most of the contracts. The incremental borrowing rate is calculated using the following parameters: risk-free rate of the relevant currency, duration of the lease, credit spread of the subsidiary concerned.

Subsequently, the lease liability is recognized at amortized cost using the effective interest method and is remeasured after the commencement date to reflect changes arising from:

- any modification of the lease term, reflecting a contractual modification or a reassessment of the probability of an extension or termination option being exercised;
- any changes in rent amount, resulting for example from a change in an index or a rate used to determine lease payments;
- any reassessment of the probability of a purchase option being exercised;
- any other contractual modification, such as the scope of the underlying asset.

As of August 31, 2020, the lease liabilities amount to 1,357 million euro, including 1,126 million euro of non-current lease liabilities and 231 million euro of current lease liabilities. The change in lease liabilities during Fiscal 2020 breaks down as follows:

(in millions of euro)	**Fiscal 2020**
Lease liabilities as of September 1, 2019	**1,490**
Increase(1)	167
Repayment of the principal	(260)
Translation adjustments	(41)
Change in scope of consolidation	0
Other movements	0
Lease liabilities as of August 31, 2020	**1,357**

(1) Impact of new leases entered into, rent indexation, contractual modifications, as well as changes in assessment of the likelihood that renewal and termination options will be exercised.

Lease liabilities maturity breaks down as follows:

(in millions of euros)	**Fiscal 2020**
< 1 year	231
1 to 3 years	308
3 to 5 years	239
> 5 years	579
Lease liabilities carrying value	**1,357**

7.2 Right-of-use assets relating to leases

Accounting principles and policies

A right-of-use asset is recognized for each lease contract (except for those covered by the exemptions), as a counterpart of the lease liability. This right-of-use asset is measured as the initial amount of the lease liability (assessed as specified above) plus, where applicable, the initial direct costs incurred in obtaining the contract (fees and administrative costs), the advance lease payments made to the lessor and the estimated costs to be incurred in restoring the underlying asset to the condition required by the terms and conditions of the contract.

The right-of-use asset is depreciated on a straight-line basis over the lease term used to measure the lease liability and, when necessary, is subject to impairment tests according to the same rules as those used for intangible assets and property, plant and equipment. The carrying amount is subsequently adjusted to reflect the change in the lease liability arising from amendments to the lease provisions and other remeasurement events (see above).

Right-of-use assets break down as follows, by type of underlying asset:

(in millions of euro)		**Fiscal 2020**	
	Gross book value	**Depreciation and impairment**	**Net book value**
Land and buildings	570	(93)	477
Sites and spaces operated under concession agreements	877	(133)	744
Vehicles	125	(40)	84
Equipment	23	(8)	15
Right-of-use assets	**1,595**	**(274)**	**1,321**

8. Companies consolidated by the equity method

Accounting principles and policies

Associates are companies in which Bellon S.A. directly or indirectly exercises significant influence over financial and operating policy without exercising exclusive or joint control. Joint ventures are joint arrangements in which Bellon S.A. directly or indirectly exercises joint control and has rights to the net assets of the arrangement. Associates and joint ventures are consolidated by the equity method. The Group has a number of equity interests in project companies established in connection with Public-Private Partnership (PPP) contracts. These contracts enable governments to call upon the private sector for the design, construction, financing and management of public infrastructure (hospitals, schools, barracks, prisons), with detailed performance criteria. An analysis is performed for each of these equity interests, in order to determine whether they qualify as associates or joint ventures

When Bellon is legally or constructively obligated to make payments on behalf of companies consolidated by the equity method, a provision is made under liabilities in the consolidated statement of financial position for its share in the negative shareholders' equity of the said companies (see note 10.1).

Changes in the Group's share of the net assets of companies consolidated by the equity method in Fiscal 2019 and Fiscal 2020 are shown below:

(in millions of euro)	**Fiscal 2020**	**Fiscal 2019**
Carrying amount as of September 1st	**51**	**77**
Of which Companies consolidated by the equity method	***62***	***83***
Of which Provisions	***(9)***	***(6)***
Share of profit for the period	9	6
Other comprehensive income (loss)	2	(7)
Dividend paid for the period	(3)	(10)
Changes in scope of consolidation	0	-
Currency translation adjustment	(3)	2
Other movements	(3)	(17)
Carrying amount as of August 31st	**53**	**51**
Of which Companies consolidated by the equity method	***60***	***62***
Of which Provisions	***(7)***	***(9)***

9. Income Tax

Accounting principles and policies

Income tax expense

Income tax expense for the year includes current taxes and deferred taxes. It includes the *cotisation sur la valeur ajoutée des entreprises* (CVAE), a business tax assessed on corporate value-added generated by the French subsidiaries, which is reported under income tax expense because the Group considers that it meets the definition of a tax on income contained in IAS 12 “Income Tax”.

Tax credits which do not affect taxable profit and are always refunded by the French government if they have not been deducted from corporate income tax (including the Competitiveness and Employment Tax Credit (CICE) introduced in France under the third amended 2012 Finance Bill) are recognized as subsidies and therefore deducted from the expenses to which they relate.

Uncertain income tax liabilities related to tax positions are estimated in accordance with IFRIC 23 “Uncertainty over income tax treatments”. As of September 1st, 2019, the Group reclassified in Income tax payable its existing liabilities for uncertain tax treatment, which were included in Provisions until August 31, 2019. The accounting for uncertain tax treatments requires an entity to make estimates and judgments about whether the relevant taxation authority will accept the position taken by the entity in its tax filings (most likely amount or expected value corresponding to the probability-weighted average of the possible outcomes).

Deferred taxes

Deferred taxes are recognized on temporary differences between the carrying amount of an asset or liability and its tax base, using the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantially enacted at the period end.

Deferred taxes are not recognized on the following items:

- initial recognition of goodwill;
- initial recognition of an asset in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit; and
- temporary differences on investments in subsidiaries that are not expected to reverse in the foreseeable future.

Taxes on items recognized directly in shareholders’ equity or in other comprehensive income are recognized in shareholders’ equity or in other comprehensive income, respectively, and not in the income statement.

Residual deferred tax assets on temporary differences and tax loss carry-forwards (after offset of deferred tax liabilities) are only recognized if their recovery is considered probable.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities and the deferred taxes relate to the same taxable entity and tax authority.

9.1 Components of income tax expense

(in millions of euro)	Fiscal 2020	Fiscal 2019
Current income tax (expenses) / income	(185)	(257)
Withholding taxes	(1)	(8)
Deferred income tax (expenses) / income	88	(12)
Income tax expense	**(98)**	**(277)**

As of Fiscal 2020, the change in deferred income tax income (deferred income tax expenses as of Fiscal 2019) corresponds to deferred tax assets recognized in countries impacted by non-recurring losses relating to assets impairments and restructuring costs.

9.2 Income tax rate reconciliation

(in millions of euros)	Fiscal 2020	Fiscal 2019
Profit for the year before tax	(221)	963
Share of profit of companies consolidated by the equity method	(9)	(6)
Profit before tax excluding share of profit of companies consolidated by the equity method	**(230)**	**957**
Tax rate applicable to Bellon S.A.	34.43%	34.43%

Theoretical income tax (expense) / income	**79**	**(330)**
Effect of jurisdictional tax rate differences	15	101
Permanently non-deductible expenses or non-taxable income	(43)	(49)
Other tax repayments/(charges), net	(18)	(9)
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	1	12
Tax loss carry-forwards and temporary differences arising during the period or prior years but not recognized as a deferred tax asset(1)	(131)	6
Actual income tax expense	**(97)**	**(269)**
Withholding taxes	(1)	(8)
Total Income tax expense	**(98)**	**(277)**

(1) Including unrecognized deferred tax assets arising from non-recurring tax loss carry-forwards and temporary differences for 122 milion euro.

The effective tax rate, calculated on profit for the period before tax and excluding the share of profit of companies consolidated by the equity method, went from 29% for Fiscal 2019 to - 43% for Fiscal 2020. Income tax expense of 98 million euro despite a negative profit for the year before tax is mainly driven by tax loss carry-forwards and temporary differences arising during the period but not recognized as a deferred tax asset for 131 million euro, mainly in France due to material non-recurring expenses, where there no prospect of short-term recoverability.

9.3 Deferred taxes

Movements in deferred taxes were as follows in Fiscal 2020:

(in millions of euro)	**August 31, 2019**	**Restatement due to IFRIC 23 first application**	**September 1, 2019**	**Deferred tax benefit/(expense)**	**Deferred tax recognized in other comprehensive income**	**Currency translation adjustment and other**	**August 31, 2020**
Employee-related liabilities	140	-	140	31	(9)	(11)	151
Fair value of financial instruments	8	-	8	(5)	-	(1)	2
Intangible assets	(42)	-	(42)	11	-	1	(30)
Goodwill	(248)	-	(248)	4	-	45	(199)
Other temporary differences	(3)	-	(3)	51	10	(20)	38
Tax loss carry-forwards	93	(6)	87	(4)	-	(6)	77
Total Net deferred tax	**(52)**	**(6)**	**(58)**	**88**	**1**	**7**	**39**
Of which Deferred tax assets	***99***	***(6)***	***93***	-	-	-	***137***
Of which Deferred tax liabilities	***(151)***	***-***	***(151)***	-	-	-	***(97)***

Movements in deferred taxes were as follows in Fiscal 2019:

(in millions of euro)	August 31, 2018	IFRS 9 Impact	September 1, 2018	Deferred tax benefit/(expense)	Deferred tax recognized in other comprehensive income	Currency translation adjustment and other	August 31, 2019
Employee-related liabilities	156	-	156	(13)	(1)	(3)	140
Fair value of financial instruments	15	-	15	(3)	1	(6)	8
Intangible assets	(51)	-	(51)	13	0	(4)	(42)
Other temporary differences[(1)]	(212)	(17)	(229)	(26)	(4)	8	(251)
Tax loss carry-forwards	71	-	71	16	0	6	93
Total Net deferred tax	**(21)**	**(17)**	**(38)**	**(12)**	**(3)**	**1**	**(52)**
Of which Deferred tax assets	***105***	***-***	***105***				***99***
Of which Deferred tax liabilities	***(126)***	***(17)***	***(143)***				***(151)***

(1) Including 248 million euro on goodwill for Fiscal 2019..

Deferred tax assets arising from tax loss carry-forwards and not recognized because their recovery is considered to be uncertain amounted to170 million euro as of August 31, 2020 (93 million euro as of August 31, 2019), including 19 million euro generated by subsidiaries prior to their acquisition (19 million euro as of August 31, 2019). This significant increase is explained by the non recognition of losses generated within the French Tax Group for 72 million euro.

Temporary differences on employee-related liabilities relate primarily to post-employment benefits.

10. Provisions, litigation and contingent liabilities

Accounting principles and policies

A provision is recognized if the Group has a legal or constructive obligation at the closing date and it is probable that settlement of the obligation will require an outflow of resources and the amount of the liability can be reliably measured.

Provisions primarily cover commercial, employee-related and tax-related risks and litigation (other than those related to income tax) arising in the course of operating activities, and are measured using assumptions that take account of the most likely outcomes.

Where the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability.

A provision for onerous contracts is established where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

10.1 Provisions

(in millions of euro)	August 31, 2019	Increases/charges	Reversals with utilization	Reversals without utilization	Currency translation adjustment and other	Changes in scope of consolidation	August 31, 2020
Tax and social security exposures[(1)]	22	16	-	(1)	(10)	-	27
Employee claims and litigation	43	22	(9)	(4)	(11)	-	42
Contract termination and loss-making contracts	13	29	(9)	(1)	(4)	8	37
Reorganization costs[(2)]	4	78	(2)	(1)	1	-	81
Client/supplier claims and litigation	18	6	(1)	(5)	(1)	1	18
Negative net assets of associates[(3)]	9	-	-	-	(3)	-	7

Other provisions	37	16	(8)	(7)	4	1	43
Total Provisions	**146**	**168**	**(28)**	**(18)**	**(23)**	**10**	**255**

(1) Tax exposures excluding liabilities for uncertain income tax treatment (as mentioned in note 2.1.2.2, uncertain income tax liabilities have been reclassified in Income tax payable starting September 1st, 2019 in accordance with IFRIC 23).

(2) The amount as of August 31, 2020 mainly consists of the restructuring costs described in note 1.1.

(3) Investments in companies consolidated by the equity method that have negative net assets (see note 8).

(in millions of euro)	August 31, 2018	Increases/charges	Reversals with utilization	Reversals without utilization	Currency translation adjustment and other	Changes in scope of consolidation	August 31, 2019
Tax and social security exposures	34	4	(12)	(4)	(1)	-	22
Employee claims and litigation	47	13	(13)	(6)	1	-	43
Contract termination and loss-making contracts	18	3	(7)	(1)	-	1	13
Reorganization costs	5	2	(2)	(1)	-	-	4
Client/supplier claims and litigation	35	2	(9)	(5)	(6)	1	18
Negative net assets of associates(1)	6	-	-	-	4	-	9
Other provisions	16	16	(13)	(7)	11	14	37
Total Provisions	**161**	**39**	**(57)**	**(24)**	**10**	**17**	**146**

(1) Investments in companies consolidated by the equity method that have negative net assets (see note 8).

Provisions for exposures and litigation are determined on a case-by-case basis and rely on management’s best estimate of the outflows deemed likely to satisfy legal or implicit obligations to which the Group is exposed as of the end of the fiscal year.

Current and non-current provisions are as follows:

	August 31, 2020		August 31, 2019	
(in millions of euro)	**Current**	**Non-current**	**Current**	**Non-current**
Tax and social security exposures	12	15	2	20
Employee claims and litigation	23	19	23	20
Contract termination and loss-making contracts	25	13	8	5
Reorganization costs	79	2	2	2
Client/supplier claims and litigation	17	1	16	2
Negative net assets of associates(1)	-	7	-	9
Other provisions	16	27	7	29
Total Provisions	**171**	**84**	**58**	**88**

(1) Investments in companies consolidated by the equity method that have negative net assets (see note 8).

10.2 Litigation

Disputes with the Brazilian tax authorities

The Group is in dispute with the Brazilian tax authorities regarding the tax deductibility of the amortization of goodwill recognized on the purchase of VR in March 2008. For the record, in Fiscal year 2017, Sodexo Pass do Brasil received a tax reassessment notice from the Brazilian tax authorities for fiscal years 2010, 2011 and 2012 relating to the deductibility for tax purposes of the amortization of goodwill recognized on the purchase of VR in March 2008. The reassessment amounted to 92 million euro (breaking down as 30 million euro in principal and 62 million euro in penalties and late payment interest).

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

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

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

The tax savings generated by this tax depreciation were offset in the consolidated accounts of the Group by a deferred tax expense of the same amount for each of the financial periods concerned, in accordance with the IFRS rules. The balance of the related deferred tax liability amounts to 49 million euro as of August 31, 2020 (69 million euro as of August 31, 2019).

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

Dispute with the French Competition Authority

In the context of the litigation initiated in 2015 by *Octoplus*, an adverse decision against meal voucher issuers was issued on December 17, 2019 by the French Competition Authority, which fined Sodexo Pass France, jointly and severally with Sodexo S.A., 126 million euro.

Sodexo Pass France and Sodexo S.A. received notification of this decision on February 6, 2020.

The Group has appealed this decision to the Paris Court of Appeal. After consultation with its legal advisors, the Group considers that it has strong arguments that may lead to the annulment or alteration of the French Competition Authority decision. As a result, no provision has been made for this litigation as of August 31, 2020.

Dispute in Hungary

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

The decision rendered, in favour of Sodexo, provides for the payment by the Hungarian State of a compensation of approximately 73 million euro, excluding interest, for the benefit of the Group.

This decision represents an important step in the process of resolving this dispute. However, the Hungarian state having applied for annulment of this decision on May 27, 2019, the Group has considered it was too early to record an income based on the decision of ICSID.

Other disputes

Group subsidiaries are also subject to tax audits that may result in reassessments. The main proceedings are described above. In each case, the risk is assessed by management and its advisors, and any estimated charge which could potentially result from such audits are recorded as provisions or tax liabilities.

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

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

11. Equity and earnings per share

Accounting principles and policies

Sodexo treasury shares

Bellon shares held by Sodexo S.A. itself and/or by other Group companies are shown as a reduction in consolidated shareholders' equity at their acquisition cost.

Gains and losses on acquisitions and disposals of treasury shares are recognized directly in consolidated shareholders' equity and do not affect profit or loss for the year.

Commitments to purchase non-controlling interests

As required by IAS 32 "Financial instruments: Presentation", the Group recognizes commitments to purchase non-controlling interests as a liability within borrowings in the consolidated statement of financial position. Commitments to purchase non-controlling interests given in connection with business combinations are recognized as follows:

- the liability arising from the commitment is recognized in other borrowings at the present value of the purchase commitment;
- the corresponding non-controlling interests are cancelled;
- additional goodwill is recognized for the balance;

Earnings per share

Earnings per share is calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding during the period, net of treasury shares.

In the calculation of diluted earnings per share, the denominator is increased by the number of potentially dilutive shares, and the numerator is adjusted for all dividends and interest recognized in the period and any other change in income or expenses that would result from conversion of the potentially dilutive shares.

Potential ordinary shares are treated as dilutive if and only if their conversion to shares would decrease earnings per share or increase loss per share.

11.1 Equity

11.1.1 Statement of changes in shareholders' equity

Items recognized directly in Other Comprehensive Income (OCI) (Group share) are shown below:

	Fiscal 2020			Fiscal 2019		
(in millions of euro)	**Increase/(decrease) during the year, pre-tax**	**Income tax (expense)/benefit**	**Increase/(decrease) during the year, net of tax**	**Increase/(decrease) during the year, pre-tax**	**Income tax (expense)/benefit**	**Increase/(decrease) during the year, net of tax**
Financial assets measured at fair value through other comprehensive income	(29)	-	(29)	23	(1)	22
Share of other components of comprehensive income (loss) of companies consolidated by the equity method	1	-	1	(3)	-	(3)
Remeasurements of net defined benefit obligation	15	(3)	12	2	-	2
Currency translation adjustment	(189)	-	(189)	71	-	71
Total Other comprehensive income (loss) (group share)	**(206)**	**-**	**(206)**	**92**	**(1)**	**91**

11.1.2 Policy for managing the Company's capital structure

Bellon takes a long-term view in managing its capital structure, with the objective of ensuring the Group's liquidity, optimizing its financial structure and allowing shareholders to benefit from its strong cash flow generation.

Contributing to decisions made may be objectives for earnings per share or estimated future cash flows, or for balancing various components of the consolidated statement of financial position in order to meet the net debt criteria defined by Group management and communicated to the marketplace, notably a net debt to equity ratio of less than 75%. The net debt to equity ratio corresponds to net debt as a proportion of total shareholders' equity (including minority interests), with net debt defined as the difference between gross borrowings and total cash, and total cash defined as cash and cash equivalents plus restricted cash and financial assets related to the Benefits & Rewards Services activity less bank overdrafts.

11.2 Earnings per share

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

	Fiscal 2020	**Fiscal 2019**
Profit for the year attributable to equity holders of the parent (in millions of euro)	(132)	237
Basic weighted average number of shares	145,778,963	145,721,534
Basic earnings per share[1] (in euro)	**(0.91)**	**1.63**
Average dilutive effect of free share plans	2,141,528	2,054,363
Diluted weighted average number of shares	147,920,501	147,775,897
Diluted earnings per share[1][2] (in euro)	**(0.91)**	**1.60**

(1) Basic and diluted earnings per share do not reflect the effect of the dividend premium to be paid on certain registered shares meeting the criteria described in note 11.1. Based on the number of registered shares as of August 31, 2020, such shares total 9,822,658 (9,336,529 as of August 31, 2019).

(2) The net income being negative in Fiscal 2020, the free shares granted are not deemed dilutive. All of the Group's free share plans had a dilutive impact in Fiscal 2019.

12. Cash and cash equivalents, financial assets and liabilities, and financial income and expense

Accounting principles and policies

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying non-current asset are included in the cost of that asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying non-current asset are recognized as an expense using the effective interest method.

Financial instruments

Financial assets and liabilities are recognized in the statement of financial position on the transaction date, which is the date when Bellon becomes a party to the contractual provisions of the instrument.

The fair values of financial assets and derivative instruments are generally determined on the basis of quoted market prices, of values resulting from recent transactions or of valuations carried out by the depositary bank.

Financial assets

Financial assets are measured and recognized in three main categories:

- **financial assets measured at fair value through other comprehensive income** include investments in non-consolidated entities, which correspond to equity instruments that the Group has irrevocably elected to classify in this category. When an equity instrument is sold, the cumulative fair value adjustment recognized in other comprehensive income is not transferred to the income statement; only dividends are booked in the income statement. For securities listed on an active market, fair value is considered to equal the market value. If no active market exists, the fair value is generally determined based on an appropriate financial criteria for the specific security;
- **financial assets measured at amortized cost** represent debt instruments for which contractual cash flows that are solely payments of principal and interest on the principal amount outstanding and that are held within a business model whose objective is to hold assets to collect contractual cash flows. They include financial and security deposits, and loans to non-consolidated entities. These financial assets are initially recognized at fair value in the statement of financial position and subsequently at amortized cost, using the effective interest rate method (which is equivalent to acquisition cost as no significant transaction costs are incurred in acquiring such assets). They are impaired to cover the estimated expected credit losses;
- **financial assets at fair value through profit or loss** include marketable securities with maturities greater than three months and other financial assets held for trading and acquired for the purpose of resale in the near term (instruments that are not eligible to be classified as financial assets measured at amortized cost or at fair value through other comprehensive income). These assets are measured at fair value, with changes in fair value recognized in financial income or expense in the income statement, with the exception of changes in the fair value of financial assets related to the Benefits & Rewards Services activity which are recognized in operating income or expense.

Derivative financial instruments

Bellon's policy is to finance the majority of acquisition costs insofar as possible in the currency of the acquired entity, generally at fixed rates of interest.

Derivative financial instruments are initially recognized at fair value in the statement of financial position. Subsequent changes in the fair value of derivative instruments are recognized in the income statement, except in the case of instruments that qualify as cash flow hedges.

For cash flow hedges, the necessary documentation is prepared at inception and updated at each period end.

Gains or losses arising on the effective portion of the hedge are recognized in other comprehensive income, and are not recognized in the income statement until the underlying asset or liability is realized. Gains or losses arising from the ineffective portion of the hedge are recognized in the income statement.

The fair value of these derivative instruments is generally determined based on valuations provided by the bank counter-parties.

Bank borrowings and bond issues

All borrowings, including bank credit facilities and overdrafts, are initially recognized at the fair value of the amount received less directly attributable transaction costs.

Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of a financial liability to the net carrying amount of that liability. The calculation includes the effects of transaction costs, and of differences between the issue proceeds (net of transaction costs) and reimbursement value.

Cash and cash equivalents

Cash and cash equivalents comprise current bank account balances, cash on hand and short-term cash investments in money-market instruments. Money-market instruments correspond to authorized "short-term" or "standard" money-market funds under the new regulation adopted by the European union (market funds that are eligible to the presumption as to classification as cash equivalents pursuant to the common AMF and ANC position issued in November 27, 2018) and have an initial maturity of less than three months at the moment of purchase or may be withdrawn at any time at a known cash value with no material risk of loss in value.

12.1 Financial income and expense

(in millions of euro)	Fiscal 2020	Fiscal 2019
Gross borrowing cost(1)	(128)	(123)
Interest income from short-term bank deposits and equivalent	18	29
Net borrowing cost	**(110)**	**(104)**
Interest income from loans and receivables at amortized cost	5	7
Other financial income	3	2
Other financial expense(2)	(159)	(5)
Net foreign exchange gains/(losses)	2	0
Net interest cost on net defined benefit plan obligation	(4)	(6)
Interest on financial lease liabilities(3)	(25)	-
Monetary adjustment for hyperinflation	(1)	(1)
Change in fair value of derivative financial instruments not qualified for hedge accounting	-	-
Other(3)	(7)	-
Net financial expense	**(296)**	**(106)**
Of which Financial income	***29***	***38***
Of which Financial expense	***(325)***	***(144)***

(1) Gross borrowing cost represents interest expense on financial liabilities at amortized cost and interest expense on hedging instruments.
(2) Including, in Fiscal 2020, a 150 million euro indemnity due to anticipated refund of USPP (Note 12.4.3.3).
(3) Interests on lease liabilities recognized starting September 1st, 2019 in accordance with IFRS 16.

12.2 Cash and cash equivalents

(in millions of euro)	August 31, 2020	August 31, 2019
Marketable securities	354	374
Cash(1)	1,688	1,433
Cash and cash equivalents	**2,042**	**1,807**
Bank overdrafts	(6)	(35)
Cash and cash equivalents net of bank overdrafts	**2,036**	**1,772**

(1) Including 12 million euro allocated to the liquidity contract signed with an investment services provider, which complies with the Code of conduct drawn up by the French financial markets association Association française des marchés financiers – AMAFI) and approved by the French securities regulator (Autorité des Marchés Financiers – AMF), for the purpose of improving the liquidity of Sodexo shares and the regularity of the quotations.

Marketable securities comprised:

(in millions of euro)	August 31, 2020	August 31, 2019
Short-term notes	199	197
Term deposits	133	150

Mutual funds and other	22	27
Marketable securities	**354**	**374**

Cash, cash equivalents and overdraft break down as follows by currency:

(in millions of euro)	**August 31, 2020**	**August 31, 2019**
Euro	976	(89)
U.S. dollar (USD)	197	580
Brazilian real (BRL)	231	261
Pound sterling (GBP)	50	305
Canadian dollar (CAD)	3	125
Other currencies	578	590
Cash and cash equivalents net of bank overdrafts	**2,036**	**1,772**

This currency allocation is presented after clearing the positive and negative positions of the Group's two *cash pools*. As of August 31, 2020, a significant portion of U.S. dollar overdrafts are offset by positive euro positions for an equivalent amount.

More than 83% of the Group’s cash and cash equivalents, restricted cash and financial assets related to the Benefits Rewards Services activity, is held with A+, A1- or A2-rated financial institutions.

No significant amount of cash or cash equivalents was subject to any restrictions as of August 31, 2020.

12.3 Financial assets

12.3.1 Current and non-current financial assets

	August 31, 2020		**August 31, 2019**	
(in millions of euro)	**Current**	**Non-current**	**Current**	**Non-current**
Investments in non-consolidated companies - OCI				
Carrying amount	**- -**	**74**	**-**	**188**
Financial assets related to the Benefits & Rewards Services activity, including restricted cash				
Cost[1]	1,103	-	1,120	-
Impairment	-	-	-	-
Carrying amount	**1,103**	**-**	**1,120**	**-**
Receivables from investees				
Cost	-	17	-	17
Impairment	-	-	-	-
Carrying amount	**-**	**17**	**-**	**17**
Loans and deposits				

Cost	40	115	59	103
Impairment	-	(15)	-	(16)
Carrying amount	**40**	**100**	**58**	**86**
Total Financial assets	**1,143**	**191**	**1,178**	**291**
Cost	1,143	237	1,178	313
Impairment	-	(46)	-	(22)
Carrying amount	**1,143**	**191**	**1,178**	**291**

(1) The split between financial assets at amortized cost and cash and cash equivalent is presented in note 12.6

Restricted cash and financial assets related to the Benefits & Rewards Services activity

Restricted cash corresponds to 770 million euro of “Financial assets related to the Benefits & Rewards Services activity” primarily in funds set aside to comply with regulations governing the issuance of service vouchers in France (353 million euro), Romania (175 million euro), China (58 million euro) and India (74 million euro). The funds remain the property of Sodexo but are subject to restrictions on their use. They may not be used for any purpose other than to reimburse affiliates and must be kept separate from the Group’s unrestricted cash. Restricted cash is invested in interest-bearing instruments.

Restricted cash and financial assets related to the Benefits & Rewards Services activity breaks down as follows by currency:

(in millions of euro)	**August 31, 2020**	**August 31, 2019**
Euro	470	432
U.S. dollar (USD)	5	5
Brazilian real (BRL)	211	343
Other currencies	417	340
Total Restricted cash and financial assets related to the Benefits & Rewards Services activity	**1,103**	**1,120**

12.3.2 Changes in current and non-current financial assets

(in millions of euro)	**August 31, 2019**	**Increase/(decrease) during the period**	**Impairment**	**Changes in scope of consolidation**	**Change in fair value**	**Currency translation adjustment and other**	**August 31, 2020**
Financial assets	1 308	96		3	(87)	(143)	1 177
Loans and receivables	162	19	(9)			(15)	157
Total	**1 470**	**115**	**(9)**	**3**	**(87)**	**(158)**	**1 334**

(in millions of euro)	**August 31, 2018**	**Increase/(decrease) during the period**	**Impairment**	**Changes in scope of consolidation**	**Change in fair value**	**Currency translation adjustment and other**	**August 31, 2019**
Financial assets	1 101	126			62	17	1 306
Loans and receivables	135	20		2		4	162
Total	**1 236**	**146**		**2**	**62**	**21**	**1 468**

12.4 Borrowings

Changes in borrowings during Fiscal 2020 and Fiscal 2019 were as follows:

(in millions of euro)	August 31, 2019	Increases	Repayments	Discounting effects and other	Currency translation adjustment	Changes in scope of consolidation	August 31, 2020
Bond issues[1]	2,468	2,526	(37)	-	3	-	4,960
Private Placements and bank borrowings [2]	1,989	990	(2,627)	-	(41)	2	314
Finance lease obligations	5	-	-	(5)	-	-	-
Other borrowings	34	5	(11)	(2)	(3)	6	29
Total Borrowings	**4,496**	**3,521**	**(2,675)**	**(7)**	**(41)**	**8**	**5,303**
Net fair value of derivative financial instruments	(6)	(3)	5	1	(1)	-	(4)
Total Borrowings including derivative financial instruments	**4,485**	**3,518**	**(2,670)**	**(6)**	**(37)**	**8**	**5,299**

(1) The increase of 2,526 million euro consists mainly of the issue of new bonds for 2,500 million euro as indicated in 12.4.2

(2) The increase of 737 million euro consists mainly of the increase in Sodexo SA's commercial paper for a total of 683 million euro, most of which occurred in the first half of the year. The decrease of 2,268 million euro consists mainly of USPP reimbursement as indicated in 12.4.3.3.

(in millions of euro)	August 31, 2018	Increases	Repayments	Discounting effects and other	Currency translation adjustment	Changes in scope of consolidation	August 31, 2019
Bond issues	2,191	277	0	4	(4)	0	2,468
Private Placements and bank borrowings	2,256	256	(618)	(1)	80	16	1,989
Finance lease obligations	9	0	(4)	(0)	0	0	5
Other borrowings	30	1	(11)	(6)	(5)	27	34
Total Borrowings excluding derivative financial instruments	4,486	534	(633)	(7)	70	43	4,496
Net fair value of derivative financial instruments	(10)	0	2	(12)	9	0	(11)
Total Borrowings including derivative financial instruments	4,476	534	(631)	(19)	79	43	4,485

12.4.1 Borrowings by currency

(in millions of euro)	August 31, 2020 Current	August 31, 2020 Non-current	August 31, 2019 Current	August 31, 2019 Non-current
Bond issues				
Euro	12	4,670	9	2,184
Sterling pound	1	277	1	274
Total	**13**	**4,947**	**10**	**2,458**
Private Placements[(1)] and bank borrowings				
U.S. dollar (USD)	22	18	47	1,457
Euro	211	59	468	17
Other currencies	4	-	0	0
Total	**237**	**77**	**517**	**1,475**
Finance lease obligations				
Euro	-	-	3	2
Other currencies	-	-	0	0
Total	**-**	**-**	**3**	**2**
Other borrowings[(2)]				
Euro	3	15	1	11
Other currencies	0	11	4	18
Total	**3**	**26**	**5**	**29**
Borrowings excluding derivative financial instruments	**255**	**5,050**	**534**	**3,962**
Net fair value of derivative financial instruments[(3)]	(5)	1	(7)	(3)
Borrowings including derivative financial instruments	**249**	**5,050**	**527**	**3,959**

(1) Including the proceeds of the U.S. private placements described in note 12.4.3.3 and the commercial paper issued by Sodexo S.A. and Sodexo Finance described in note 12.4.3.2.
(2) Including 24 million euro as of August 31, 2019 (23 million euro as of August 31, 2019) corresponding to liabilities recognized in connection with put options written over non-controlling interests in certain subsidiaries.
(3) Described in note 12.5.

For borrowings other than bond issues, amortized cost is equivalent to historical cost (nominal amount) insofar as no significant transaction costs are incurred.

12.4.2 Bond issues

On June 24, 2014, Sodexo S.A. completed a bond issue structured in two tranches:

- a 600 million euro tranche redeemable at par value on January 24, 2022 and bearing interest at an annual rate of 1.75%, with interest payable annually on January 24;
- a 500 million euro tranche redeemable at par value on June 24, 2026 and bearing interest at an annual rate of 2.50%, with interest payable annually on June 24.

Accrued interests on these bonds amount to 9 million euro as of August 31, 2020.

On October 14, 2016 Sodexo S.A. issued bonds for 600 million euro redeemable in April 2027 and bearing interest at an annual rate of 0.75%, with interest payable annually on April 14. On August 1, 2017, the Company increased this issue with an additional 200 million euro of bonds. Accrued interests on these bonds amount 2 million euro as of August 31, 2020.

On May 22, 2018, Sodexo S.A. issued bonds for 300 million euro redeemable in May 2025 and bearing interest at an annual rate of 1.125%, with interest payable annually on May 22. Accrued interests on this bond are 1 million euro as of August 31, 2020.

On June 26, 2019, Sodexo S.A. issues bonds for 250 million pounds sterling redeemable in June 2028 and bearing interest at an annual rate of 1.75%, with interest payable annually on June 26. Accrued interests on this bond are 1 million euro as of August 31, 2020.

On April 27, 2020, Sodexo S.A. issued a bond structured in two tranches:

- 700 million euro tranche redeemable at par value on April 27, 2025 and bearing interest at an annual rate of 0.75%, with interest payable annually on April 27.
- 800 million euro tranche redeemable at par value on April 27, 2029 and bearing interest at an annual rate of 1.0%, with interest payable annually on April 27.

Accrued interest on these bonds amounted to 5 million euro as of August 31, 2020.

On July 17, 2020, Sodexo S.A. issued a bond structured in two tranches:

- 500 million euro tranche redeemable at par value on January 17, 2024 and bearing interest at an annual rate of 0.5%, with interest payable annually on January 17**.**
- 500 million euro tranche redeemable at par value on July 17, 2028 and bearing interest at an annual rate of 1.0%, with interest payable annually on July 17**.**

Accrued interest on these bonds amounted to 1 million euro as of August 31, 2020.

None of the above-described bonds are subject to financial covenant.

12.4.3 Other borrowings

12.4.3.1 Equity linked swap with CACIB (2020)

On April 16, 2020, Bellon SA signed an Equity Linked Swap agreement (forward sale of Sodexo shares with a swap exchanging changes in interest rates for changes in Sodexo share prices) with CACIB for an amount of 200 million euro with a maturity date of April 15, 2023. This synthetic debt carries flixed rate interest.

12.4.3.2 Loans for 165 million U.S. dollars and 40 million of euros

On June 26, 2012, Bellon SA borrowed 165 million U.S. dollars in a U.S. Private Placement transaction with U.S. investors (U.S.P.P.). This financing was made at a U.S. dollar interest rate of 5.20% and matures in full in February 2022 with amortization of the principal starting in February 2016.

A currency swap was arranged with three banks (CACIB, Natixis and Société Générale) as follows:

- A tranche of 82.5 million U.S. dollars with CACIB at a rate of 4.93%;
- A tranche of 49.5 million U.S. dollars with Natixis at a rate of 4.985%;
- A tranche of 33 million U.S. dollars with Société Générale at a rate of 5.00%.

On June 26, 2012, Bellon SA borrowed 40 million euros in a US Private Placement transaction with U.S. investors (U.S.P.P.). This financing was made at a euro interest rate of 5.525% and matures in full in February 2022 with amortization of the principal starting in February 2016.

The ELP as well as the U.S.P.P. financings and the currency swap arrangements all contain terms that are customary for loans of this nature made to a holding company. These conditions mainly include the following:

- Bellon SA's holding in Sodexo must not be less than 33.33% of the share capital and voting rights
- No individual or group of individuals acting in concert (within the meaning of Article L.233-10 of the French Commercial Code) other than the reference shareholder shall own, directly or indirectly, more than 50% of the capital or voting rights of Bellon SA
- The ratio of revalued assets to revalued net financial debt must be greater than 2.5 as of August 31 and December 31 each year
- The ratio of dividends to net financial expense must be greater than 1.1 each year
- Total net borrowings must be lower than 1.1 billion euro at any point in time
- Sodexo's rating must not be lower than BBB-

As of August 31, 2020, Bellon SA was in compliance with its covenants.

12.4.3.3 Credit facilities

July 2011 multicurrency confirmed credit facility

On July 18, 2011, Sodexo S.A. contracted a multicurrency credit facility for a maximum of 600 million euro plus 800 million U.S. dollars, with an original maturity date of July 18, 2016. This facility has been amended on a number of occasions with the most recent amendment being in July 2019 with a new maturity date of July 2024, with two options to extend the maturity by one year each, up to July 2026. The first option to extend this facility was executed during Fiscal 2020. The facility maturity date is now July 2025 with the second option to extend a further year still remaining. The maximum available limits under this facility now are 589 million euro plus 785 million U.S dollars.

The most recent amendment also incorporates a sustainability clause that links the credit facility cost to Sodexo's ability to comply with its public commitment to reduce its food waste by 50% by 2025.

Amounts drawn on this facility carry floating interest indexed on the LIBOR and EURIBOR rates. This credit facility is not subject to any covenant.

No amounts had been drawn down on the facility as of either August 31, 2020 or August 31, 2019.

Bilateral confirmed credit facility

On December 18, 2019, the Group obtained two 150 million euro bilateral confirmed credit facility, both are due to expire in December 2023.

On February 13, 2020, the Group obtained a third 150 million euro bilateral confirmed credit facility expiring in February 2024.

On May 20, 2020, the Group obtained a further two bilateral facilities totaling 250 million euro. One facility is a 150 million euro facility and is due to mature in May 2021 and the second facility is a 100 million euro facility that is due to mature in January 2021 with the option to extend the facility for a further 8 months.

No amounts had been drawn down on any of these facilities as of August 31, 2020.

On July 5, 2018, Bellon S.A. obtained a bilateral facility totaling 150 million euros due July 2020. As of August 31, 2020, the entire line of credit has been drawn.

12.4.3.4 Commercial paper

As of August 31, 2020, borrowings under the Sodexo S.A. and Sodexo Finance commercial paper programs are nil, compared to 140 million euro as of August 31, 2019.

As of August 31, 2020, borrowings under the Bellon S.A. commercial paper programs are 230 million euros, compared to 321 million euro as of August 31, 2019.

12.4.3.5 U.S. private placements

During Fiscal 2020, Sodexo S.A and Sodexo Inc. redeemed the full outstanding balance of U.S. Private Placement of 1,557 million U.S. dollars subscribed between 2011 and 2018.

As per the conditions of the USPP debt agreements, the reimbursement includes an indemnity of 168 million US dollars (150 million euro).

As a result of this operation, Sodexo is no longer subject to compliance with any financial covenant in respect of borrowings issued by the Group.

The features of the Group's outstanding private placements as of August 31, 2019 were as follows:

Date of the placement	**Principal outstanding** (in millions of U.S. dollars)	Fixed interest rate	Maturity
March 29, 2011	133	4.85%	March 2021
	74	4.95%	March 2023
Total Placement dated March 29, 2011	**207**		
March 4, 2014	150	3.44%	March 2021
	525	3.99%	March 2024
	175	4.14%	March 2026

	100	4.34%	March 2029
Total Placement dated March 4, 2014	**950[(1)]**		
Total Placement dated June 27, 2018	**400**	**3.70%**	**June 2023**
Total U.S. private placements	**1,557**		

(1) After deducting 150 million U.S. dollars redeemed on March 4, 2019.

12.4.4 Interest rates

In order to comply with the Group's financing policy, substantially all borrowings are long term and at fixed interest rates.

As of August 31, 2020, 100% of the Group's borrowings were at fixed rate. The average rate of interest as of the same date was 1.6%.

As of August 31, 2019, 96% of the Group's borrowings were at fixed rate. The average rate of interest as of the same date was 2.5%.

The bond issues and borrowings from financial institutions described above include customary early redemption clauses. These clauses include cross-default and change-in-control clauses which apply to all of the borrowings.

12.4.5 Maturity of borrowings

August 31, 2020 **Carrying amounts** (in millions of euro)	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Bond issues	0	7	5	2,078	2,869	4,960
Private placements and bank borrowings	161	76	1	74	3	314
Finance lease obligations	-	-	-	-	-	-
Other borrowings	-	-	4	26	-	29
Total Borrowings	**161**	**83**	**10**	**2 178**	**2 872**	**5,303**

Excluding the impact of derivative financial instruments described in note 12.5.
For borrowings expressed in a foreign currency, amounts are translated at the year-end closing rate.
Maturities include interest accrued as of the period end.
Credit facility renewal rights are taken into account to determine the maturities.

August 31, 2020 **Undiscounted contractual maturities** (in millions of euro)	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Bond issues	0	12	39	2,276	2,955	5,282
Private placements and bank borrowings	161	76	1	74	3	315
Finance lease obligations	-	-	-	-	-	-
Other borrowings	-	-	4	28	0	32
Impact of derivative financial instruments excluding those related to PPP companies	-	-	5	-	-	5
Total Borrowings	161	**88**	49	2,378	2,958	5,634

The undiscounted contractual maturities include payment of future interest not due yet.

August 31, 2019 **Carrying amounts** (in millions of euro)	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Bond issues	2	-	7	589	1,869	2,468
Private placements and bank borrowings	321	194	3	1,194	275	1,989
Finance lease obligations	1	1	2	2	0	5
Other borrowings	0	0	4	27	2	34
Total Borrowings	324	195	16	1,812	2,146	4,496

Excluding the impact of derivative financial instruments described in note 12.5.
For borrowings expressed in a foreign currency, amounts are translated at the year-end closing rate.
Maturities include interest accrued as of the period end.
Credit facility renewal rights are taken into account to determine the maturities.

August 31, 2019 **Undiscounted contractual maturities** (in millions of euro)	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Bond issues	2	4	28	710	1,929	2,673
Private placements and bank borrowings	322	199	31	1,356	302	2,210
Finance lease obligations	1	1	2	2		5
Other borrowings	1		5	29	2	37
Impact of derivative financial instruments excluding those related to PPP companies	0	0	0	0	0	0
Total Borrowings	325	204	65	2,097	2,233	4,926

The undiscounted contractual maturities include payment of future interest not due yet.

12.5 Derivative financial instruments

The fair values of Group's derivative financial instruments are as follows:

Derivative financial instruments (in millions of euro)	**IFRS classification**	**August 31, 2020**	**August 31, 2019**
Currency instruments		**3**	**6**
Assets	*Trading*	19	12
Liabilities	*Trading*	(16)	(6)
Cross-currency swaps[(1)]		**1**	**(1)**
Assets	*Cash flow hedge*	4	0
Liabilities	*Cash flow hedge*	(3)	(1)
Net derivative financial instruments		**4**	**5**

(1) *Corresponds to three euro-BRL cross-currency swaps with a notional value of 80 million BRL as of August 31, 2020 versus 120 million BRL as of August 31, 2019.*

The face value and fair value of currency instruments and cross-currency swaps are as follows by maturity:

	August 31, 2020				August 31, 2019			
(in millions of euro)	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Currency lender positions	**53**	**4**	**0**	**57**	**92**	**29**	**-**	**121**
Czech crown/Euro	45	-	-	45	77	29	-	106
Polish zloty/Euro	-	-	-	-	15	-	-	15
Other	8	4	-	12	-	-	-	-
Currency borrower positions	**(719)**	**(1)**	**(1)**	**(721)**	**(46)**	**(55)**	**(1)**	**(103)**
Pound sterling/Euro	(3)	-	-	(3)	(3)	(3)	-	(6)
Brazilian real/Euro	(23)	-	-	(23)	(18)	(9)	-	(27)
Mexican peso/Euro	-	-	-	-	-	-	-	-
Swedish krona/Euro	-	-	-	-	(13)	-	-	(13)
Dollar/Euro	(677)	-	-	(677)	(12)	(43)	(1)	(57)
Other	(16)	(1)	(1)	(18)	-	-	-	-
Total Face value	**(666)**	**3**	**(1)**	**(663)**	**46**	**(26)**	**(1)**	**19**
Fair value	**6**	**(2)**	**-**	**4**	**6**	**(1)**	**-**	**5**

The face value represents the nominal value of currency hedging instruments, including amounts related to forward agreements. Foreign currency amounts are translated at year-end closing rates.

12.6 Financial instruments

The table below presents the categories of financial instruments, their carrying amount and their fair value, by item in the consolidated statement of financial position.

The fair value hierarchy used in classifying financial instruments is provided for in IFRS 13 "Fair value measurement" as defined in note 2.3.

			August 31, 2020		Fair value level			
Financial assets (in millions of euro)	**Category**	**Note**	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Marketable securities	Financial assets at fair value through profit or loss	12.2	354	354	22	332	-	354
Restricted cash and financial assets related to the Benefits & Rewards Services activity	Financial assets at amortized cost	12.3	727	727	-	-	-	-
	Cash and cash equivalents	12.3	376	376	376	-		376
Trade and other receivables	Financial assets at amortized cost	4.3	4,067	4,067	-	-	-	-

Other financial assets	Financial assets at fair value through other comprehensive income	12.3	74	74	-	-	74	74
	Financial assets at amortized cost	12.3	157	157	-	-	-	-
Derivative financial instrument assets		12.5	23	23	-	23	-	23

			August 31, 2020					Fair value level
Financial liabilities (in millions of euro)	**Category**	**Note**	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Bond issues(1)	Financial liabilities at amortized cost	12.4	4,960	5,100	5,100	-	-	5,100
Bank borrowings	Financial liabilities at amortized cost	12.4	314	315	315	-	-	315
Other borrowings	Financial liabilities at amortized cost	12.4	29	29	29	-	-	29
Bank overdrafts	Financial liabilities at amortized cost	12.2	6	6	6	-	-	6
Trade and other payables	Financial liabilities at amortized cost	4.3	4,022	4,022	-	-	-	-
Vouchers payable	Financial liabilities at amortized cost	4.5	3,117	3,117	-	-	-	-
Derivative financial instrument liabilities		12.5	(19)	(19)	-	(19)	-	(19)

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2020.

			August 31, 2019					Fair value level
Financial assets (in millions of euro)	**Category**	**Note**	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Marketable securities	Financial assets at fair value through profit or loss	12.2	374	374	27	347	-	374
Restricted cash and financial assets related to the Benefits & Rewards Services activity	Financial assets at amortized cost	12.3	804	804	-	-	-	-
	Cash and cash equivalents	12.3	315	315	315	-	-	315
Trade and other receivables	Financial assets at amortized cost	4.3	4,626	4,626	-	-	-	-
Other financial assets	Financial assets at fair value through other comprehensive income	12.3	187	187	-	-	187	187
	Financial assets at amortized cost	12.3	162	162	-	-	-	-
Derivative financial instrument assets		12.5	11	11	-	11	-	11

Financial liabilities (in millions of euro)	Category	Note	August 31, 2019 Carrying amount	Fair value	Fair value level Level 1	Level 2	Level 3	Total
Bond issues[1]	Financial liabilities at amortized cost	12.4	2,468	2,553	-	-	-	-
Bank borrowings	Financial liabilities at amortized cost	12.4	1,989	2,501	-	-	-	-
Other borrowings	Financial liabilities at amortized cost	12.4	39	39	-	-	-	-
Bank overdrafts	Financial liabilities at amortized cost	12.2	35	35	-	-	-	-
Trade and other payables	Financial liabilities at amortized cost	4.3	4,892	4,892	-	-	-	-
Vouchers payable	Financial liabilities at amortized cost	4.5	2,981	2,981	-	-	-	-
Derivative financial instrument liabilities		12.5	3	3	-	3	-	3

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2019.

There were no transfers between the various fair value hierarchy levels between Fiscal 2019 and Fiscal 2020.

13. Financial risk management objectives and policy

The Group policies and procedures are designed to prevent speculative positions. Furthermore, under them:

- substantially all borrowings must be at fixed rates of interest, or converted to fixed-rate using hedging instruments;
- in the context of financing policy, foreign exchange risk on loans to subsidiaries must be hedged;
- the maturity of hedging instruments must not exceed the maturity of the borrowings they hedge.

13.1 Analysis of sensitivity to interest rates

As of August 31, 2020, an increase or a decrease in interest rates would have had no material impact on profit before tax or on shareholders' equity as substantially all liabilities at those dates were at a fixed rate of interest.

13.2 Analysis of sensitivity to foreign exchange rates and exchange rate exposures on principal currencies

Because the Group has operations in 64 countries, all components of the financial statements are influenced by foreign currency translation effects, and in particular by fluctuations in the U.S. dollar. However, exchange rate fluctuations do not generate any operational risk, because each of the Group's subsidiaries invoices its revenues and incurs its expenses in the same currency.

Bellon S.A. uses derivative instruments to manage the Group's risk exposure resulting from the volatility of exchange rates.

Sensitivity to exchange rates

Impact of a 10% appreciation of the exchange rate of the following currencies against the euro (in millions of euro)	August 31, 2020 Impact on revenues	Impact on operating profit	Impact on profit before tax	Impact on shareholders' equity	August 31, 2019 Impact on revenues	Impact on operating profit	Impact on profit before tax	Impact on shareholders' equity
U.S. dollar (USD)	766	8	(13)	217	911	45	37	245

Brazilian real (BRL)	92	13	13	60	112	20	20	86
Pound sterling (GBP)	175	7	7	61	190	16	16	66

13.3 Exposure to liquidity risk

The nature of the Group's bank borrowings and bond issues as of August 31, 2020 is described in detail in note 12.4.

As of August 31, 2020, and as of August 31, 2019, more than 99% of the Group's consolidated borrowings was raised on capital markets and bank financing covered less than 1% of the Group's financing needs. The maturity dates of the main borrowings range between Fiscal 2022 and Fiscal 2029.

13.4 Exposure to counterparty risk

Exposure to counterparty risk is limited to the carrying amount of financial assets.

Group policies and procedures are to manage and spread counterparty risk. For derivative financial instruments, each transaction with a bank is required to be based on a master contract modeled on the standard contract issued by the French Bankers' Association (AFB) or the International Swaps and Derivatives Association (ISDA).

Counterparty risk relating to client accounts receivable is immaterial. Due to the Group's geographic and segment spread, there is no concentration of risk on past due individual receivables for which no provision has been recorded. Given the degradation in the economic environment resulting from the Covid-19 pandemic, the Group has reinforced its credit risk tracking.

Thus, the Group did not record any significant change in the impacts related to the proven financial failures of its customers during the year. The net carrying amount of overdue receivables amounts to 526 million euro, of which 68 million are beyond 6 months (2% of total net accounts receivable as of August 31, 2020 vs.1.9% as of August 31, 2019).

The main counterparty risk is bank-related. The Group has limited its exposure to counterparty risk by diversifying its investments and limiting the concentration of risk held by each of its counterparties. Transactions are conducted with highly creditworthy counterparties taking into consideration country risk. The Group has instituted a regular reporting of the risk spread between counterparties and of their quality.

To reduce this risk further, in Fiscal 2011 the Group implemented an international cash pooling mechanism between its main subsidiaries (with a netting facility), reducing the amount of liquidity held by third parties by concentrating it in the Group's financial holding companies.

The maximum counterparty represents approximately 13% (18% as of August 31, 2019) of the Group's operating cash (including restricted cash and financial assets related to the Benefits Rewards Services activity) and is with a banking group whose rating is A-1.

14. Other information

14.1 Subsequent events

Faced with the rebound of the pandemic, new public measures have been implemented since September 2020 in many countries in which the Group operates. Given the disparity of the situations with which the Group is confronted, the changing nature of the situation and the difficulty in assessing the duration of this resulting health crisis, the impact it could have on the Group's future results cannot be accurately measured.

However, the Group continues to make every effort to ensure the continuity of its activities and confirms its confidence in its ability to adapt to the consequences of this pandemic.

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

Discussion with employee representatives are just starting and the Group intends to propose all measures to maintain employment for its employees and thus limit the impact of these reorganizations, in particular through a project to support the movement of its employees on a voluntary basis, in expanding the choices available to them in all of the group's other activities in France.

14.2 Commitments and contingencies

14.2.1 Sureties

Commitments arising from surety arrangements (pledges, charges secured against plant and equipment, and real estate mortgages) contracted by Bellon S.A. and its subsidiaries in connection with operating activities during Fiscal 2020 are not material.

14.2.2 Other commitments given

	August 31, 2020				August 31, 2019
(in millions of euro)	Less than 1 year	1 to 5 years	More than 5 years	Total	Total
Financial guarantees to third parties	1	-	-	1	1
Site management commitments	-	-	-	-	1
Performance bonds given to clients	45	30	109	184	181
Other commitments	3	128	1	131	136
Total Other commitments given	**49**	**157**	**111**	**316**	**319**

The performance bonds given to clients relate to around fifteen sub-contracting contracts where the Group considers that it may be exposed to indemnity payments if it is unable to fulfill the service obligation. These bonds are subject to regular review by the management of the business unit and a provision is recorded as soon as payment under a bond becomes probable. For all other contracts with a performance bond, the Group considers that it can deploy the additional resources needed to avoid paying compensation under the bond.

The Group also has performance obligations to clients, but regards these as having the essential features of a performance guarantee rather than an insurance contract designed to compensate the client in the event of non-fulfillment of the service obligation (compensation is generally due only where Bellon is unable to provide alternative or additional resources to fulfill the obligation to the client).

In practice, given its size and geographical reach, Bellon considers itself capable of providing the additional resources required to avoid paying compensation to clients protected by such clauses.

At this time, no provision has been recorded in the consolidated statement of financial position with respect to these guarantees.

The “Other commitments” line mainly includes the 12-year guarantee given by Sodexo S.A. in October 2012 to the Trustee of the UK pension plan (*i.e.*, until October 2024) for a maximum of 100 million pounds sterling in order to cover Sodexo UK’s obligations in connection with the plan.

14.3 Scope of consolidation

Bellon SA holds 42.75% of the capital of Sodexo SA, a French société anonyme headquartered in Issy-les-Moulineaux, France, and 57,14% of voting rights.

Taking into consideration Sodexo SA’s treasury shares and the shares held in Bellon SA by the Sodexo group, Bellon SA’s interest in Sodexo SA is 37.7%. Summarized financial information for Sodexo is as follows (in millions of euro based on the financial statements prepared in accordance with IFRS – this information is presented at 100%):

(in millions of euro)	**2019-2020**	**2018-2019**
Revenues	19 321	21 954
Operating profit[1]	65	1 059
Profit for the year	(319)	686
Comprehensive income	(1 163)	1 040

(1) Including share of profit of companies consolidated by the equity method that directly contribute to the Group’s business

(in millions of euro)	**August 31, 2020**	**August 31, 2019**
Non-current assets	9 730	9 455
Current assets	7 623	8 012
TOTAL ASSETS	**17 353**	**17 467**
Total shareholders' equity	2 773	4 498
Non-current liabilities	6 834	4,722
Current liabilities	7 745	8,247
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17 353**	**17,467**

The total amount of dividends paid by Sodexo SA during the fiscal year was 425 million euro, taking into account treasury shares, a dividend of 2.9 euro per share.

The main companies consolidated as of August 31, 2020 and presented in the table below together represent over 80% of consolidated revenues, operating profit, profit for the period attributable to equity holders of the parent, and shareholders' equity. The other entities individually represent less than 0.6% of each of these items.

The first column shows the percentage interest held by the Group, and the second column the percentage of voting rights held by the Group. Percentage interests and percentages of voting rights are only shown if less than 97%.

Companies newly consolidated during the year are indicated by the letter "N".

		% Interest	**% voting rights**	**Principal activity**	**Country**
France					
	Sodexo S.A.			Holding	France
	Sodexo Entreprises (consolidated)			On-site	France
	Sodexo Santé Médico Social			On-site	France
	Société Française de Restauration et Services (consolidated)			On-site	France
	Segsmhi (Le Lido)			On-site	France
	Sogeres			On-site	France
	Lenôtre SA (consolidated)			On-site	France
	Sodexo Sports et Loisirs			On-site	France
	Sodexo Justice Services			On-site	France
	Société d'Exploitation des Vedettes Paris Tour Eiffel (SEVPTE)			On-site	France
	Yachts de Paris			On-site	France
	Sodexo Energie et Maintenance			On-site	France
	Sodexo Pass France SA			Benefits & Rewards	France
	Foodchéri	87%	87%	On-site	France
	Sodexo Pass International SAS			Holding	France
	Sofinsod SAS			Holding	France

	% Interest	% voting rights	Principal activity	Country
Americas				
Sodexo do Brasil Comercial SA (consolidated)			On-site	Brazil
Sodexo Pass do Brasil Serviços E Comércio SA			Benefits & Rewards	Brazil
Sodexo Facilities Services Ltda			On-site	Brazil
Sodexo S.A.S.			On-site	Colombia
Sodexo Canada Ltd (consolidated)			On-site	Canada
Centerplate Canada			On-site	Canada
Sodexo Chile SPA (consolidated)			On-site	Chile
Sodexo, Inc. (consolidated)			On-site	United States
Centerplate Ultimate Holdings, Corp.			On-site	United States
CK Franchising Inc.			On-site	United States
Inspirus LLC			Benefits & Rewards	United States
Sodexo Global Services, LLC			Holding	United States
Sodexo Peru SAC			On-site	Peru
Europe				
Sodexo Services GmbH (consolidated)			On-site	Germany
Sodexo Beteiligungs BV & Co. KG			On-site	Germany
GA-tec Gebäude und Anlagentechnik GmbH			On-site	Germany
Sodexo Services Solutions Austria GmbH			On-site	Austria
Sodexo Belgium SA (consolidated)			On-site	Belgium
Imagor SA			Benefits & Rewards	Belgium
Sodexo Pass Belgium SA (consolidated)			Benefits & Rewards	Belgium
Centerplate Europe Ltd			On-site	United Kingdom
Centerplate ISG Limited	60%	60%	On-site	United Kingdom
Sodexo Iberia SA (consolidated)			On-site	Spain
CenterplateISG Espana S.L.U.	60%	60%	On-site	Spain
Novae Restauration SA			On-site	Switzerland

	% Interest	% voting rights	Principal activity	Country
Sodexo Italia SpA (consolidated)			On-site	Italy
Sodexo Nederland BV (consolidated)			On-site	Netherlands
Sodexo Pass Česka Republika AS			Benefits & Rewards	Czech Republic
Sodexo Euroasia SARL			On-site	Russia
Centerplate UK Ltd			On-site	United Kingdom
Sodexo Ltd (consolidated)			On-site	United Kingdom
Sodexo Global Services UK Ltd			Holding	United Kingdom
Sodexo Motivation Solutions UK Ltd			Benefits & Rewards	United Kingdom
Entegra Europe UK Limited			On-site	United Kingdom
Tillery Valley Foods Limited			On-site	United Kingdom
Sodexo Luxembourg SA			On-site	Luxembourg
Sodexo Finances USD Ltd			Holding	United Kingdom
Sodexo Holdings Ltd			On-site	United Kingdom
Rydoo Sp. z.o.o.			On-site	Poland
Sodexo Finance Designated Activity Company			Holding	Ireland
Sodexo Ireland Ltd			On-site	Ireland
Sodexo Remote Sites Scotland Ltd			On-site	Scotland
Sodexo Pass Romania Srl			Benefits & Rewards	Romania
Sodexo Avantaj Ve Odullendirme Hizmetleri AS			Benefits & Rewards	Turkey
Sodexo AB			On-site	Sweden
Asia, Pacific, Middle East, Africa				
Sodexo Australia Pty Ltd (consolidated)			On-site	Australia
Sodexo Remote Sites Australia Pty Ltd			On-site	Australia
Sodexo Food Solutions India Private Ltd			On-site	India
Sodexo (China) Enterprise Management Services Co., Ltd			On-site	China
Sodexo Management Company Ltd Shanghaï			On-site	China

	% Interest	% voting rights	Principal activity	Country
Sodexo Singapore PTE Ltd			On-site	Singapore
Sodexo Services Asia			Holding	Singapore
STH Japan K.K.	30%	51%	On-site	Japan
Kelvin Catering Services (Emirates) LLC	49%	49%	On-site	United Arab Emirates

14.4. Auditors' fees

(in millions of euro excluding VAT)	PRICEWATERHOUSECOOPERS		KPMG	
	Fiscal 2020	**Fiscal 2019**	**Fiscal 2020**	**Fiscal 2019**
Audit of individual company financial statements and consolidated financial statements				
Bellon SA	0.1	0,1	0,1	0,1
Consolidated subsidiaries	5,9	4,4	4,5	2,8
TOTAL AUDIT SERVICES	**6**	**4.5**	**4,6**	**2.9**
Other services				
Bellon SA				
Consolidated subsidiaries	0,6	0,6	0,7	0,4
TOTAL OTHER SERVICES	**0,6**	**0,6**	**0,7**	**0,4**
TOTAL FEES	**6,6**	**5,1**	**5.3**	**3.3**

Services other than the certification of accounts provided by PricewaterhouseCoopers Audit and its network to the consolidated subsidiaries mainly consist of technical consultations and, outside France, tax compliance services.

Services other than the certification of accounts provided by KPMG SA to the consolidating entity mainly consist of professional services in the context of the non-financial performance; Services other than the certification of accounts provided by its network to the consolidated subsidiaries mainly consist of professional services in the context of agreed upon procedures, issuance of attestations and tax compliance services.