

BELLON SA

Statutory Auditors' report on the financial statements

For the year ended December 31, 2016

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This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

BELLON SA

17, Place de la Résistance
92130 Issy-les-Moulineaux

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of Bellon SA;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

II – Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter:

- The Company measures its equity investments using the methods described in Note 2.2 "Financial assets" to the financial statements. Our work consisted in examining, on a test basis, the data and assumptions used for the determination of value in use and reviewing the calculations performed by the Company.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Neuilly-sur-Seine and Paris-La Défense, April 21, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG SA

Agnès Husherr

Jean-Claude Reydel

Financial statements BELLON SA as of December 31, 2016

I INCOME STATEMENT

In thousands of euro	Year ended December 31	
	2016	2015
REVENUES	4 004	5 969
Other income	22	-
Employee costs	(4 096)	(6 455)
Other external charges	(3 539)	(4 840)
Taxes other than income taxes	(371)	(337)
Depreciation and amortization	(12)	-
OPERATING PROFIT	(3 992)	(5 663)
Financial income	130 663	107 203
Financial expense	(17 270)	(20 765)
FINANCIAL RESULT	113 393	86 438
Exceptional income/expense, net	-	(23)
Employee Profit- sharing	(9)	-
Income taxes	(324)	(281)
NET INCOME	109 068	80 471

II BALANCE SHEET

ASSETS (in thousands of euro)	As of Dec. 31, 2016	As of Dec. 31, 2015
NON-CURRENT ASSETS, NET		
Property, plant and equipment	290	-
Financial investments	1 721 674	1 567 048
Rental Security deposit	31	
• Total non-current assets	1 721 995	1 567 048
CURRENT ASSETS		
Accounts receivable	26	-
Other receivables	90	21 529
Marketable securities	-	56 591
Cash	9 119	158 748
• Total current assets	9 235	236 868
TOTAL ASSETS	1 731 230	1 803 916

LIABILITIES AND EQUITY (in thousands of euro)	As of Dec. 31, 2016	As of Dec. 31, 2015
SHAREHOLDERS' EQUITY		
Share capital	388	411
Additional paid in capital	284 734	396 706
Reserves and retained earnings	775 620	720 796
• Total Shareholders' equity	1 060 742	1 117 913
• Provisions for contingencies and losses	-	-
LIABILITIES		
Borrowings	668 351	679 603
Accounts payable	164	237
Other liabilities	1 973	6 163
Total liabilities	670 488	686 003
TOTAL LIABILITIES AND EQUITY	1 731 230	1 803 916

NOTES TO THE FINANCIAL STATEMENTS

I SIGNIFICANT EVENTS

1.1 Capital

On March 1st, 2016 Bellon SA obtained a derogation from l'Autorité des Marchés Financiers (AMF) with respect to the requirement to file a proposed public exchange tender offer based on article 234-9, 6° of the AMF's general rules. In this context, Bellon SA set up a forward purchase program which enabled to acquire 1, 000,000 shares at a price of 94.04 euros per share on April 21, 2016, and to buy 648,422 shares at a price of 93.43 euros per share on August 17, 2016.

Following these acquisitions and the capital reduction of Sodexo recognized by the Board of Directors of Sodexo on June 14, 2016, our company holds 39.61% of the capital and 55.4% of the voting rights.

In June 2016, Bellon SA purchased the shares owned by Bernard Bellon and his son Adrien Bellon.

On November 16, 2016, Bellon SA held an Extraordinary Shareholder's Meeting in order to note the reduction of its capital of the Company.

1.2 Borrowings

On June 2012 Bellon SA borrowed 172 million euros in a U.S. Private Placement transaction for a 10 years period. This financing is amortized on 6 years starting the 4th year.

On February 2016 Bellon SA reimbursed its first amortization for an amount of 21 Million euros.

II ACCOUNTING PRINCIPLES, RULES AND METHODS

The annual financial statements were prepared and presented in conformity with the principles, standards and accounting methods required by the general accounting plan of 1999 in compliance with Rule 2016-07, modifying Rule 2014-3 of the Accounting Standards Authority, ratified by a departmental order dated December 26, 2016 in relation with the French Accounting Standards.

The accounting principles used in the preparation of the statutory financial statements for 2016 are the same as those used for 2015. The historical cost method was used in the preparation of these financial statements.

Unless otherwise mentioned, amounts included in tables in the footnotes are expressed in thousands of euro.

The amounts reported as exceptional income/expense represent those items which do not relate to current activities, as well as certain items considered exceptional by their nature but which concern ordinary activities.

2.1 Property, plant and equipment

Fixed assets are valued at acquisition cost less depreciation. Cost includes expenditures directly incurred to acquire the asset. All other repair and maintenance costs are recognized as expenses during the period in which they are incurred.

Fixed assets are depreciated over the useful life of the asset and taking account of their residual value.

The principal depreciation rates used are the following :

General fixtures and fittings	9 years
Office equipment	9 years
Computer equipment	4 years

2.2 Financial assets

Shares in companies and other financial investments are carried at historical cost or contribution value. At each balance sheet date, an impairment write-down may be recognized if the value in use is less than the carrying amount.

2.3 Marketable securities

Marketable securities are recognized at their acquisition cost and are written down for unrealized losses.

2.4 Borrowings

Transaction costs on borrowings are expensed in « Commissions and expenses on loan issuance » in the period in which they are incurred.

III NON-CURRENT ASSETS

	Amounts as of January 1, 2016	Increase	Decrease	Amounts as of December 31, 2016
Property, plant and equipment	-	301	-	301
Financial investments				
Sodexo	1 567 048	154 626	-	1 721 674
Other investments	-	-	-	-
Total financial investments	1 567 048	154 626	-	1 721 674
Total non-current assets (gross amount)	1 567 048	154 927		1 721 975
Depreciation		(12)	-	(12)
Total non-current assets (net)	1 567 048	154 915	-	1 721 963
Rental security deposit	-	32	-	32
Total non-current assets (net)	1 567 048	154 947	-	1 721 995

Sodexo shares are valued at historical cost. Market price as of the end of the year would have been 6 650 million euro.

IV CHANGES IN SHAREHOLDERS' EQUITY

	Number of shares	Capital	Additional paid in capital	Legal reserve	Ordinary reserve	Retained earnings	Net income for the fiscal year	Shareholders equity
Shareholders' equity as of December 31, 2014	25 710	411	396 706	41	576 218	8 418	65 032	1 046 827
Dividends paid			-		55 000	648	(65 032)	(9 384)
Net income for the year							80 471	80 471
Shareholders' equity as of December 31, 2015	25 710	411	396 706	41	631 218	9 066	80 471	1 117 913
Capital reduction	(1 455)	(23)	(111 972)		(43 446)			(155 441)
Dividends paid					69 000	673	(80 471)	(10 798)
Net income for the year							109 068	109 068
Shareholders' equity as of December 31, 2016	24 255	388	284 734	41	656 772	9 739	109 068	1 060 742

V BORROWINGS

	Amounts as of January 1, 2016	Increase	Decrease	Amounts as of December 31, 2016
Bank borrowings	679 603	10 696	21 949	668 350
Overdraft	-	-	-	-
Total borrowings	679 603	10 696	21 949	668 350

The following agreements contain terms that are customary for loans of this nature made to a holding company: the Equity Linked Swap agreements signed with CACIB in June 2015, Natixis and Société Générale in July 2016, the agreements signed with the U.S. investors and the swap agreements. These conditions mainly include the following:

- the level of Bellon SA's investment in Sodexo should not be less than 33.33% of capital and voting rights
-
- the ratio of revaluated assets to revaluated net financial debt must be higher than 2.5 as of August 31 and December 31 of each year
- the ratio "dividends to net financial expenses" should be higher than 1.1 each year
- total borrowings should be lower than 1.1 billion euro at any point in time
- Sodexo's rating should not be lower than BBB-

As of December 31, 2016, Bellon SA met its commitments.

VI MATURITIES OF RECEIVABLES AND PAYABLES

RECEIVABLES	Amounts	Less than 1 year	More than 1 year
Clients and account attached	26	26	
Other receivables	90	90	
TOTAL RECEIVABLES (NET)	116	116	

LIABILITIES	Amounts	Less than 1 year	1 to 5 years	More than 5 years
Bank borrowings	668 351	39 719	602 329	26 303
Total Borrowings	668 351	39 719	602 329	26 303
Accounts payable	164	164		
Employee related liabilities	1 759	1 759		
Social and tax liabilities	181	181		
Other	33	33		
Total other liabilities	1 973	1 973		
TOTAL LIABILITIES	670 488	41 856	602 329	26 303

VII RELATED PARTY INFORMATION

	Amount	Related companies and associates	Companies with related investments
ASSETS			
Financial investments (gross)	1 721 674	1 721 674	
LIABILITIES			
Accounts payable	5	5	
INCOME STATEMENT			
Operating revenues	4 004	4 004	
Operating expenses	87	87	
Financial income	130 527	130 527	
Financial expense	0	0	

Transactions as stipulated by the regulation "ANC 2010-02" are presented below:

Related parties	Nature of transaction	Amount of transaction
Sodexo S.A.	Assistance and advisory services agreement between Bellon S.A. and Sodexo S.A.	The invoice issued by Bellon S.A. amounts to 4 004 thousand euro excluding taxes for the year ended December 31, 2016

VIII ACCRUED EXPENSES

Accounts payable	60
Employee related liabilities	895
Social and fiscal liabilities	373
Total	1 328

IX ISSUED CAPITAL

Total capital is 388 080 euro divided into 24 255 shares of 16 euro each, all fully paid.

X ANALYSIS OF REVENUES

Revenues are related to services rendered in France and amount to 4 004 thousand euro.

XI AUDIT FEES

The statutory auditors' fee for the year ended December 31, 2016 amounts to 61 thousand euro for the statutory audit of the financial statements.

XII FINANCIAL RESULT

The financial result of 113 393 thousand euro comprises the following:

- Dividends from Sodexo for 130 527 thousand euro.
- Gains on sale of marketable securities and interest income on financial investments for 136 thousand euro.
- Interest expense amounting to 17 270 thousand euro related to the interest on the company's debt.

XIII INCOME TAXES

The company recognized a tax loss of 9 844 thousand euro for the year.
Consequently the disclosures regarding income taxes are not applicable.

XIV UNREALISED TAX GAINS AND LOSSES

Following the September 1997 merger with Financière Sodexho, Bellon SA committed to calculating, in the future, any unrealized gains on the 3 306 684 Sodexo contributed shares as compared to the tax value recognized by Sodexho Financiere, which was 201 271 thousand euro.

Following the April 1998 grant of three new shares for each previously held share and the 4 for 1 stock split in March 2001, the number of Sodexo shares held through the merger was multiplied by 16.

As of December 31, 2008, total Sodexo shares resulting from the merger were 46 726 226 with a tax value of 168 588 thousand euro.

As of December 31, 2016, Bellon SA has accumulated tax losses of 502 491 thousand euro which can be carried forward indefinitely, representing a decrease in future taxes payable of 167 497 thousand euro, based on the current rate of 33.33%.

XV OPERATING LEASE COMMITMENTS

Outstanding commitments arising in respect of operating leases relating to the rental of offices are as follows:
(in thousands of euro)

	As of December 31, 2016
Less than 1 year	105
1 to 5 years	634
More than 5 years	416
Total	1 155

XVI PLEDGED SHARES

4 505 220 Sodexo shares are pledged to the benefit of Natixis.
3 013 259 Sodexo shares are pledged to the benefit of Cacib.
3 565 995 Sodexo shares are pledged to the benefit of Société Générale.

For the US private placement:

2 529 894 Sodexo shares are pledged to the benefit of US investors (USD Notes).
638 021 Sodexo shares are pledged to the benefit of US investors (Euro Notes).

A total of 14 252 399 Sodexo shares have been pledged.

XVII RETIREMENT BENEFIT COMMITMENTS

Bellon SA is required to pay benefits to retiring employees under the terms stipulated in the Sodexo collective agreement.

The commitment, which is not recognized as a liability in the balance sheet, is estimated at 1 951 thousand euro.

XVIII FINANCIAL INSTRUMENT COMMITMENTS

The company uses derivative financial instruments in order to manage its exposure to volatility in interest and currency exchange rates.

During the year, the company contracted six financial instrument commitments.

Bank	Inception date	Expiry date	Notional amount	Market value of swaps December 31, 2015
Natixis	July 15, 2015	July 15, 2020	€200 million	- €9.8 million
Natixis	June 29, 2012	February 14, 2022	\$ 49.5 million	€3,9 million
Société Générale	June 29, 2012	February 14, 2022	\$ 33 million	€ 2,6 million
Société Générale	September 10, 2015	July 16, 2018	€150 million	-€0,9 million
CACIB	June 29, 2012	February 14, 2022	\$ 82.5 million	€ 6.6 million
CACIB	August 4, 2016	June 21, 2019	€150 million	-€2.1 million

XIX COMPENSATION, ADVANCES AND COMMITMENTS WITH RESPECT TO PENSIONS AND INDEMNITIES PAID TO THE MEMBERS OF THE SUPERVISORY BOARD AND NON-EXECUTIVE DIRECTORS

• Total compensation paid to the members of the Board and non executive directors	1 044 thousand euro
• Advances and loans	None
• Amount paid to a defined benefit pension plan during the financial year	None

XX NUMBER OF EMPLOYEES

As of December 31, 2016, 8 executives and 1 employee were employed by the company.

XXI LIST OF SUBSIDIARIES

	% interest in Capital	Capital	Shareholders' equity	Book value of investment	Revenues	Net income for recent fiscal year	Date	Dividends
Sodexo	39.61 %	614 965	3 162 556	1 721 674	132 047	615 915	8/31/2016	130 527

XXII CONSOLIDATION

The annual financial statements of Bellon SA are fully consolidated into the consolidated financial statements of Bellon SA.