
Sodexo A/S

Oldenburg Alle 1, 1., DK-2630 Taastrup

Annual Report for 1 September 2018 - 31 August 2019

CVR-nr. 34 69 39 19

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
7 January 2020

Ulf Wretskog
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sodexo A/S for the financial year 1 September 2018 - 31 August 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 August 2019 of the Company and the Group and of the results of the Company and Group operations for 2018/19.

In our opinion, Management's review includes a fair review of the matters dealt with in the Management's review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Taastrup, 7 January 2020

Executive Board

Christian Villadsen Lunner
CEO

Board of Directors

Ulf Wretskog
Chairman

Emmanuel Jean Fraysse

Marc Guy Rolland

Christian Villadsen Lunner

Independent Auditor's Report

To the Shareholder of Sodexo A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 August 2019 and of the results of the Group's and Parent Company's operations and as well as the Group's cash flows for the financial year 1 September 2018 - 31 August 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Sodexo A/S for the financial year 1 September 2018 - 31 August 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify

Independent Auditor's Report

any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- Obtain 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain 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. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 7 January 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Kim Danstrup
State Authorised Public Accountant
mne32201

Søren Alexander
State Authorised Public Accountant
mne42824

Company Information

The Company

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E-mail: debitor.dk@sodexo.com

Website: www.sodexo.dk

CVR-no.: 34 69 39 19

Financial period: 1 September - 31 August

Financial Year: 8th financial year

Municipality of reg. office: Høje Taastrup

Board of Directors

Ulf Wretskog
Emmanuel Jean Fraysse
Marc Guy Rolland
Christian Villadsen Lunner

Executive Board

Christian Villadsen Lunner

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	400.410	346.393	323.947	304.244	254.828
Gross profit/loss	290.279	249.362	225.426	218.807	175.328
Profit/loss before financial income and expenses	22.630	11.304	3.621	6.763	5.220
Net financials	-419	-620	-181	-169	-169
Net profit/loss for the year	17.210	7.856	3.328	4.916	3.332
Balance sheet					
Balance sheet total	141.716	114.330	104.429	100.088	99.189
Equity	55.870	42.660	37.104	38.676	33.760
Investment in property, plant and equipment	1.938	496	342	287	1.004
Number of employees	550	535	489	477	473

Financial Highlights

	Group				
	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK	<u>2014/15</u> TDKK
Ratios					
Gross margin	72,5%	72,0%	69,6%	71,9%	68,8%
Profit margin	5,7%	3,3%	1,1%	2,2%	2,0%
Return on assets	17,7%	10,3%	3,3%	6,8%	6,5%
Solvency ratio	39,4%	37,3%	31,8%	38,6%	34,0%
Return on equity	34,9%	19,7%	8,8%	13,6%	10,4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

Our main business is services within FM, canteens and cleaning.

Development in the year

The income statement of the Group for 2018/19 shows a profit of TDKK 17.210 and at August 31st, 2019 the balance sheet of the group shows an equity of TDKK 55.870.

The result this year, meets our expectations, with satisfactory revenue growth and margin development. There has not been any unusual condition during this year.

The expectation for the future is a continued and stable growth.

The consolidated financial statement reflects the activities in Sodexo A/S and subsidiary Sodexo Airport Services A/S.

Over the year, customer satisfaction has been very high and the number of customers who have terminated their cooperation with Sodexo is still at a very low level. The interest for our services is high, and over the year, several new customers have entered into cooperation with us, and organic growth is at a satisfactory high level. The geographical spread of our services has again increased, and we are getting wider and wider coverage throughout the country.

Operational risk

Sodexo operates services negotiated and agreed with public- and private customers. Services are operated as integrated services (IFM) or single services. Sodexo's operations are based on implemented standardized operational processes. Processes are regularly tested by internal audit.

Market risk

The outsourcing of services in general is increasing in Denmark. As a global company Sodexo is well positioned in the market to attract global and national customers. The growth within IFM is increasing where we see the single services market stagnating or decreasing. With solid processes, tools, well-educated employees and IT systems Sodexo is well positioned to continue growing in this market.

Currency risks

As a company operating in Denmark with revenue and cost in DKK Sodexo has very limited currency risks.

Management's Review

Statement on CSR cf. The Danish financial statement act section 99A

Business Model

Sodexo mobilizes, operates and develops facility services for private and public customers. Sodexo creates value by standardizing, optimizing services and by using IT and technology to create value to our customers and users.

Non- Financial Risks

As a global company it is vital to Sodexo and our customers, that our business is founded on solid values and high ethical standards that is communicated and implemented throughout the company. Sodexo has an obligation, as a corporate citizen to secure good operational practices and governance.

Besides the processes in the daily work this is implemented by having all Sodexo employees trained in environment and sustainability.

Sodexo has as a company an obligation to reduce our environmental impact. Sodexo has no specific environmental risks, but we are continuously reducing our environmental impact by reducing and measuring waste and the use of chemicals.

Sodexo works only on well established markets and is a member of DI, all employees are employed under collective agreements and we use "Servicenormen" from SBA. This secures high standards within finance, quality, environment, work environment, employee relations, education and the use of suppliers and there's limited risk with regards to human rights issues and there for we do not have a formal policy developed on human rights issues.

CSR

Through our work with the Better Tomorrow Plan, which is based on the 17 UN Sustainable Development Goals, we actively develop and change our services we delivery to our customers. Our focus has been on reducing waste, increasing the use of organic foods and reducing the use of chemicals, the diversity and inclusion of our employees and local purchasing. The work thus included in our services helps our customers achieve their goals for a more sustainable society.

Sodexo services a lot of people on an everyday basis, which gives us a possibility and an obligation to work dedicated to creating a sustainable development in our society.

Sodexo has signed the UN Global Compact and have committed to actively work with all 17 goals. In Denmark we have chosen to focus on three of the areas: Gender balance, local sourcing and waste and we have been working actively with these in the recent years.

Management's Review

Environment and climate

Local Sourcing

In FY19 we have continued our work with local sourcing and ensuring the use of local and organic products as much as possible, especially in our restaurants. We have launched our food DNA, where we have clearly defined processes and standards towards nutrition and health, environmental footprint and animal welfare.

We have in the past year entered into three agreements with local food suppliers and we expect to continue and scale this further in the coming years. We have as well started cooperation with a Nordic startup company, which can help us reduce our CO2 footprint in our restaurants.

Waste

In FY19 we have operationalized our work on waste on our sites, especially in our restaurants.

During the latter part of FY18 we have launched Wasteful to Tasteful, where we together with our partners explore the possibility of using blemished fruit and vegetables that would otherwise be scrapped. This work we have continued and see great effects in waste reductions in the supply chain. We will continue scaling this with more suppliers in the coming year.

Social and employee relations

Health and safety are a high priority for us and our customers and is a prioritized part of our daily work to achieve a healthier and richer life. Awareness of health and safety must be part of our culture in order for us to better help our customers and employees to a high Quality of Life. We have in 2018/19 seen a significant decrease (60%) in work related injuries and we continue our work towards improving even more.

Diversity and Inclusion is a strategic focus area and business differentiator in Sodexo. Diversity and inclusion support the Quality of Life for our employees.

In FY 19 we have continued focus on the following areas:

- Analyzed the talent review from a gender and generation perspective
- To better understand and increase in engagement and quality of life for our employees

Management's Review

Cascaded group Diversity and inclusion initiatives and campaigns for example:

- Disability Day
- Women's day
- She works
- Culture Origins day

Anti-corruption

Sodexo has a policy regarding anti-corruption, through our Statement of Business Integrity

- Conducting all aspects of Sodexo's business with the highest standards of ethics and integrity is essential to Sodexo's mission to improve the Quality of Life of our employees and of all whom we serve and to contribute to the economic, social and environmental development of the communities, regions and countries where we operate. Business Integrity is therefore a pillar of our Responsible Business Conduct commitments.
- This Statement of Business Integrity ("Statement") sets forth Sodexo's standards for Business Integrity. These standards are uncompromising. All of our employees—our leaders, executives, managers, and frontline employees—are expected to know and adhere to these standards. Sodexo employees must never compromise these standards for financial or other business objectives or for personal gain. We do not tolerate any practice that is corrupt, fraudulent or illegal in any place where we do business.
- We are likely to encounter complex situations in the many countries and cultures in which we do business. Nevertheless, our principles in this Statement do not vary. Sodexo employees must use good judgment and the tools available to them to give effect to these principles without exception and without seeking loopholes or shortcuts to evade them. We must judge everything we do not only by whether our conduct is legal, but also by whether it would further our commitment to Business Integrity and appear ethical and fair to our colleagues, ourselves, our stakeholders, and the public.

These standards apply to all Sodexo employees and to any persons acting on our behalf. Sodexo employees, consultants and other persons hired to act on our behalf are expected to comply with these standards, and any person retaining consultants or others to act on Sodexo's behalf must take steps to ensure that such persons agree to comply with them. All consultants or other representatives shall be subject to due diligence to ensure they do not have a history or reputation for unethical behavior.

Management's Review

Sodexo employees must not seek to do indirectly through others what they may not do directly. All managers are bi annually taking part in a mandatory training in anti-corruption, where our policies are restated. In FY19 all of our top management has completed the training and we have not had any incidents where the statement of business integrity has been violated.

Gender balance cf. The Danish financial statement act section 99B

In our work on gender balance, we will work towards a target of a gender balance on different levels in the company: Top management, management and employees.

Our target is to have gender balance with an acceptable spread of 40/60.

Board of directors – With predefined rules from Sodexo Group, for appointing board members, there are specific roles that are appointed as board members and there were no women in these positions in FY19, and we have not achieved gender balance. Sodexo has a target of having gender equality in all management levels within 2025.

Management - In our work with our managers we will set up a gatekeeper, which ensures that no gender is favored in the process of appointing of new managers. In our annual talent review, we work with a target of gender balance in order to ensure that our internal talent pipeline reflects our overall target, from a gender and generation perspective. Our management consists of 38% women and 62% men. Sodexo has a leadership program for Women leaders, and we will continue our work and launch a career program especially for women in the coming years, in order to increase our effort to encourage women into management roles.

Employees - The composition of our employees should reflect the society that we live in, and the clients that we serve, therefore it is of great importance to us that there is diversity and inclusion in our workforce. Sodexo has focused on this for many years and will continue over the coming years. Our employees consist of 55% women and 45% men.

Market overview

The market demands more complex FM solutions, and the number of requests for services from us is constantly increasing. We have invested in competencies to meet the growing demands of the market for a professional and globally oriented IFM supplier. Our global coverage means that several new companies choose to enter into a partnership with us and we see the benefits of being part of a large global company.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Management's Review

Unusual events

The financial position as of August 31st, 2019 of the Group and the results of the activities of the Group for the financial year for 2018/19 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 September - 31 August

	Note	Group		Parent Company	
		2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
Revenue	1	400.410	346.393	280.210	232.079
Other operating income		10.626	10.031	4.239	0
Expenses for raw materials and consumables		-82.133	-71.398	-80.010	-69.408
Other external expenses	2	-38.624	-35.664	-18.532	-13.453
Gross profit/loss		290.279	249.362	185.907	149.218
Staff expenses	3	-267.240	-237.393	-173.218	-143.864
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-409	-665	-375	-373
Profit/loss before financial income and expenses		22.630	11.304	12.314	4.981
Income from investments in subsidiaries		0	0	0	500
Financial income		0	81	0	70
Financial expenses		-419	-701	-413	-653
Profit/loss before tax		22.211	10.684	11.901	4.898
Tax on profit/loss for the year	4	-5.001	-2.828	-2.732	-2.104
Net profit/loss for the year	5	17.210	7.856	9.169	2.794

Balance Sheet 31 August

Assets

	Note	Group		Parent Company	
		2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
Plant and machinery		505	500	455	416
Other fixtures and fittings, tools and equipment		1.618	94	1.618	94
Property, plant and equipment	6	2.123	594	2.073	510
Investments in subsidiaries	7	0	0	500	500
Fixed asset investments		0	0	500	500
Fixed assets		2.123	594	2.573	1.010
Inventories		887	795	887	795

Balance Sheet 31 August

Assets

	Note	Group		Parent Company	
		2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
Trade receivables		71.767	66.196	61.634	58.322
Receivables from group enterprises		3.212	892	3.593	878
Other receivables		3.351	3.653	3.248	3.103
Prepayments	8	1.577	1.477	787	680
Receivables		79.907	72.218	69.262	62.983
Cash at bank and in hand		58.799	40.723	58.799	40.723
Current assets		138.706	112.941	128.061	103.706
Assets		141.716	114.330	131.521	105.511

Balance Sheet 31 August

Liabilities and equity

	Note	Group		Parent Company	
		2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
Share capital		2.100	2.100	2.100	2.100
Proposed dividend for the year		9.000	4.000	9.000	4.000
Retained earnings		44.770	36.560	22.068	21.899
Equity	9	55.870	42.660	33.168	27.999
Provision for deferred tax		216	84	116	3
Provisions		216	84	116	3
Prepayments received from customers		7.183	7.504	418	739
Trade payables		19.601	19.425	18.637	18.179
Payables to group enterprises		8	1.162	41.053	35.173
Corporation tax		8.294	2.891	6.044	1.507
Other payables		50.544	40.604	32.085	21.911
Short-term debt		85.630	71.586	98.237	77.509
Debt		85.630	71.586	98.237	77.509
Liabilities and equity		141.716	114.330	131.521	105.511
Contingent assets, liabilities and other financial obligations	10				
Related parties and ownership	11				

Cash flow Statement 1 September – 31 August

	<u>Note</u>	Group	
		<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
Net profit/loss for the year		17.210	7.856
Adjustments	12	5.829	4.115
Change in working capital	13	6.263	6.913
Cash flow from operating activities before financial income and expenses		<u>29.302</u>	<u>18.884</u>
Interest income etc.		0	80
Interest expenses etc.		-419	-701
Cash flows from ordinary activities		<u>28.883</u>	<u>18.263</u>
Corporation tax paid and other adjustments		-4.869	-2.660
Cash flows from operating activities		<u>24.014</u>	<u>15.603</u>

Cash flow Statement 1 September – 31 August

	<u>Note</u>	Group	
		<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
Purchase of property, plant and equipment		-1.938	-496
Cash flow from investing activities		<u>-1.938</u>	<u>-496</u>
Paid dividend		-4.000	-2.300
Cash flow from financing activities		<u>-4.000</u>	<u>-2.300</u>
Change in cash and cash equivalents		18.076	12.807
Cash and cash equivalents 1 September		40.723	27.916
Cash and cash equivalents 31 August		<u>58.799</u>	<u>40.723</u>
Change in cash and cash equivalents are specified as follows:			
Cash in bank and in hand		58.799	40.723
Change in cash and cash equivalents 31 August		<u>58.799</u>	<u>40.723</u>

Statement of Changes in Equity

Group

	Share capital	Proposed dividend for the year	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 September	2.100	4.000	36.560	42.660
Dividend paid	0	-4.000	0	-4.000
Proposed dividend for the year	0	9.000	-9.000	0
Net profit/loss for the year	0	0	17.210	17.210
Equity at 31 August	<u>2.100</u>	<u>9.000</u>	<u>44.770</u>	<u>55.870</u>

Parent Company

Equity at 1 September	2.100	4.000	21.899	27.999
Dividend paid	0	-4.000	0	-4.000
Proposed dividend for the year	0	9.000	-9.000	0
Net profit/loss for the year	0	0	9.169	9.169
Equity at 31 August	<u>2.100</u>	<u>9.000</u>	<u>22.068</u>	<u>33.168</u>

Notes to the Annual Report

1 Information of segments

Revenue split in segments is 100% in the segment Corporate services.

2 Information of audit fee

See note 7 to the Group Financial Statements at page 143 for information of auditor fee in accordance with section 96(3) of the Danish Financial Statements Act.

	Group		Parent Company	
	2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
3 Staff expenses				
Wages and salaries	236.328	206.470	151.787	122.674
Pensions	21.985	19.815	11.610	9.694
Other social security expenses	1.202	1.702	2.192	2.181
Other staff expenses	7.725	9.402	7.629	9.315
	<u>267.240</u>	<u>237.393</u>	<u>173.218</u>	<u>143.864</u>
Average number of employees	<u>550</u>	<u>535</u>	<u>361</u>	<u>328</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Annual Report

	Group		Parent Company	
	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
4 Tax on profit/loss for the year				
Current tax for the year	4.867	2.498	2.617	1.114
Deferred tax for the year	132	-140	113	-139
Adjustment of tax concerning previous years	2	470	2	1.129
	<u>5.001</u>	<u>2.828</u>	<u>2.732</u>	<u>2.104</u>
5 Distribution of profit				
Proposed dividend for the year			9.000	4.000
Retained earnings			169	-1.206
			<u>9.169</u>	<u>2.794</u>

Notes to the Annual Report

6 Property, plant and equipment

Group

	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
	TDKK	TDKK	TDKK
Cost at 1 September	3.706	2.055	5.761
Additions for the year	280	1.658	1.938
Cost at 31 August	<u>3.986</u>	<u>3.713</u>	<u>7.699</u>
Impairment losses and depreciation at 1 September	3.206	1.961	5.167
Depreciation for the year	275	134	409
Impairment losses and depreciation at 31 August	<u>3.481</u>	<u>2.095</u>	<u>5.576</u>
Carrying amount at 31 August	<u>505</u>	<u>1.618</u>	<u>2.123</u>

Notes to the Annual Report

6 Property, plant and equipment (continued)

Parent Company

	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
	TDKK	TDKK	TDKK
Cost at 1 September	2.239	2.055	4.294
Additions for the year	280	1.658	1.938
Cost at 31 August	<u>2.519</u>	<u>3.713</u>	<u>6.232</u>
Impairment losses and depreciation at 1 September	1.823	1.961	3.784
Depreciation for the year	241	134	375
Impairment losses and depreciation at 31 August	<u>2.064</u>	<u>2.095</u>	<u>4.159</u>
Carrying amount at 31 August	<u>455</u>	<u>1.618</u>	<u>2.073</u>

Notes to the Annual Report

	Parent Company	
	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
7 Investments in subsidiaries		
Cost at 1 September	500	500
Carrying amount at 31 August	<u>500</u>	<u>500</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Sodexo Airport Services	Taastrup	500	100%	23.200	8.041

8 Prepayments

Prepayments consist of prepaid expenses primarily relating to rent, insurance premiums and subscriptions.

Notes to the Annual Report

9 Equity

The share capital consists of 21,000 shares of a nominal value of DKK 100. No shares carry any special rights.

The share capital has developed as follows:

	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK	<u>2014/15</u> TDKK
Share capital at 1 September	2.100	2.100	2.100	2.100	2.100
Capital increase	0	0	0	0	0
Share capital at 31 August	<u>2.100</u>	<u>2.100</u>	<u>2.100</u>	<u>2.100</u>	<u>2.100</u>

Notes to the Annual Report

	Group		Parent Company	
	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
10 Rental agreements and lease commitments				
Operating lease and rental commitments.				
Total future rental and lease payments:				
Within 1 year	6.068	5.643	5.633	5.364
Between 1 and 5 years	10.581	7.493	9.962	7.065
	<u>16.649</u>	<u>13.136</u>	<u>15.595</u>	<u>12.429</u>

Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income as well as for Danish withholding taxes in the form of income tax, royalties and interest tax. The total amount of corporation tax payable is stated in the annual report of Sodexo A/S, which is the management company in relation to the joint taxation.

Notes to the Annual Report

11 Related parties and ownership

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Sodexo AB, Sverige

Consolidated Financial Statements

The Company is included in the Group Annual Report of the ultimate Parent Company Sodexo S.A..

The Group Annual Report of Sodexo S.A. will be available on www.sodexo.com.

Notes to the Annual Report

	Group	
	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
12 Cash flow statement – Adjustments		
Financial income	0	-80
Financial costs	419	701
Depreciation, amortisation and impairment losses, including losses and gains on sales	409	665
Tax on profit/loss for the year	5.001	2.829
	<u>5.829</u>	<u>4.115</u>
13 Cash flow statement – Change in working capital		
Change in inventories	-92	-142
Change in receivables	-7.689	2.878
Change in trade payables , etc.	14.044	4.177
	<u>6.263</u>	<u>6.913</u>

Accounting Policies

Basis of Preparation

Consolidated and Parent Company Financial Statements of Sodexo A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large-sized enterprises of reporting class C.

The accounting policies are identical for both the parent company financial statements and the consolidated financial statements.

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2018/19 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including amortisation, depreciation and assumptions and reimbursements as a result of changes in the accounting estimates of amounts previously recognized in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Sodexo A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Accounting Policies

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Accounting Policies

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprises.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Accounting Policies

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	3-5	years
Other fixtures and fittings, tools and equipment	3-10	years

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realizable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of inventories equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Accounting Policies

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme is recognised in the income statement in financial income and expenses.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Cash flow statement

The cash flow statement shows the group's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the group company's cash and cash equivalents at the beginning and at the end of the year.

No separate cash flow statement has been prepared for the parent company in accordance with section 86(4) of the Danish Financial Statements Act.

Accounting Policies

Cash flows from operating activities

Cash flows from operating activities are stated as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Accounting Policies

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross Profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit / loss before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit / loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$