SODEXHO ALLIANCE SA
Form 6-K
May 25, 2005

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the month of May, 2005

Commission File Number: 001-31274

SODEXHO ALLIANCE, SA

(Translation of registrant's name into English)

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F X Form 40-F___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ____ No X

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Yes ____ No X

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ____ No X

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SODEXHO ALLIANCE, SA

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Item 1

Activity report
First half 2004-2005

Significant events

(millions of euro)

	First half 2003-2004	First half 2004-2005	Variation excluding exchange rate effect	Exchange rate effect	Total variation
Revenues	5 890	5 890	+3.7% (1)	- 3.7%	0%
EBITA	281	278	+3.1%	- 4.1%	- 1.0%
Financial expense	(65)	(55)	N/A	N/A	N/A
Exceptional loss	(11)	(69)	N/A	N/A	N/A
Group net income	97	67	-27.2%	- 4.2%	- 31.4%
Group net income, excluding U.S. litigation	97	107	+13.9%	- 4.2%	+9.7%

expense						

(1) 4% at constant consolidation scope and excluding exchange rate effect.

The continuation of the appreciation of the euro against other currencies, notably the U.S. dollar, led to conversion effects on our consolidated financial statements, which reduced revenues, EBITA and Group net income by close to 4%.

- Organic growth in **revenues**, at a constant consolidation scope and excluding exchange rate effects, was 4%, compared to 3.9% for the same period in the prior year, which benefited from the favorable impact of the Rugby World Cup in November 2003. Excluding this event, organic growth was 4.8%. For the half year, organic growth accelerated, both in North America as well as in Continental Europe.

- **EBITA** increased by 3.1% and was in line with our forecasts (excluding exchange rate variations).

- **Financial expense** of 55 million euro improved by 10 million euro as a result of the reduction in our debt.

- The **exceptional loss** totaled 69 million euro and mainly included the provision of 60 million euro related to the class action litigation in the U.S., which Sodexho, Inc. settled on April 27, 2005. Without admitting any liability and to avoid protracted legal proceedings, the Board of Directors preferred a settlement.

- **Group net income** was 67 million euro after including the net-of-tax exceptional provision of 40 million euro related to the U.S. litigation. **Group net income, excluding this exceptional item**, totaled 107 million euro which represents an increase of 13.9%. Our excellent financial model, which allows us to generate cash and therefore reduce our financing costs, contributed to this good performance.

Revenues and EBITA by activity

Revenues by activity *(millions of euro)*	Half year 2004-2005	Half year 2003-2004	Variation at current exchange rates %	Variation at constant exchange rates %
Food and Management Services				
North America	2 586	2 661	- 2.8%	4.4%
Continental Europe	1 981	1 898	4.4%	4.3%
United Kingdom and Ireland	640	654	-2.2%	- 2.1%
Rest of the World	552	550	0.4%	4.3%
Total	**5 759**	**5 763**	**- 0.1%**	**3.6%**

Service Vouchers and Cards	**131**	**127**	**3.7%**	**6.8%**
Total	**5 890**	**5 890**	**0%**	**3.7%**

EBITA by activity *(millions of euro)*	Half year 2004-2005	Half year 2003-2004	Variation at current exchange rates %	Variation at constant exchange rates %
Food and Management Services				
North America	135	146	- 7.5%	- 0.7%
Continental Europe	101	87	15.8%	15.7%
United Kingdom and Ireland	11	5	104.6%	104.7%
Rest of the World	12	19	- 33.8%	- 29.1%
Total	**259**	**257**	**0.9%**	**5.0%**
Service Vouchers and Cards	**39**	**37**	**5.4%**	**7.5%**
Corporate expenses	**(20)**	**(13)**	**54.0%**	**54.2%**
Total	**278**	**281**	**- 1.0%**	**3.1%**

During the first half of 2004-2005, activities located outside of the Euro zone represented 69% of revenues (of which 43% were in US dollars) and 52% of EBITA (of which 34% were in US dollars).

Food and Management Services

In Food and Management Services, organic growth in revenues totaled 3.9% for the first half of 2004-2005, including 2.8% in Business and Industry, 5.1% in Education, and 4.8% in Healthcare.

Analysis by geographic region

North America

In North America, revenues were 2.6 billion euro with an organic growth rate that increased to 4.4% compared to 4.1% for the same period in the prior year.

The Business and Industry segment, including Defense, recorded a decrease in organic growth of 1.1%, with a decline of 0.4% for Business and Industry and 7.7% for Defense.

In Healthcare, organic growth accelerated to 7%. This performance resulted from both an increase in revenues on existing sites and the commercial dynamism of our teams, both in the acute-care and senior markets.

The Education segment similarly registered satisfactory performance with an organic growth rate of 6%, thanks to the growth in patronage on our sites and the opening, at the beginning of the school year, of a number of contracts signed last summer.

During the first half of the year, we gained several large contracts such as, for example, food services for the New York City Health and Hospital Corporation, the Memorial Hermann System in Texas, General Electric in several states, and the Johnson Space Center (NASA).

Excluding currency effects, EBITA of 135 million euro was slightly lower than that for the same period in the prior year. The EBITA margin was 5.2% compared to 5.5% for the first half of the prior year. Three main factors explain this contraction:

- lower patronage at US Marine Corps bases as a result of the deployment of troops outside of the US and protracted discussions on certain adjustments,
- start-up costs on large higher education contracts signed at the end of the prior year, and
- continued pressure on insurance and health care costs.

Continental Europe

In Continental Europe, revenues totaled 2.0 billion euro, with organic growth of 4.1%, a net improvement over the 3.3% earned in the same period in the prior year.

Despite weak economic growth, Business and Industry revenues increased by 4.9%, with greater improvements in France, Spain, Germany and Central Europe, than in Scandinavia, the Netherlands and Italy.

Organic growth in Education totaled 4.2% as compared to 3.6% for the same period in the prior year, notably due to the opening of contracts signed in the prior year.

In Healthcare, organic growth was only 2%, reflecting our strong selectivity in our choice of clients.

Among the latest commercial successes we can cite the center of the Atomic Energy Commissariat in Cadarache, several La Poste sites in France, Russian Aluminium in Russia, Citibank in Budapest, the public schools of Duisburg in Germany, and the Public Assistance Hospitals in Paris.

EBITA rose to 101 million euro, an increase of 15.7% excluding exchange rate effects. This progression resulted, in part, from the initial positive effects of the reorganization of the meal delivery activity in the Education segment in France, which temporarily weighed on results in the first half of the prior year. The remainder reflects productivity gains on sites and reductions in overhead expenses, notably in Germany, the Nordic countries and Italy.

The EBITA margin increased from 4.6% to 5.1%.

United Kingdom and Ireland

As expected, revenues decreased by 2.1%, excluding currency effects. The expansion of services provided to the Colchester Garrison in the defense segment, as well as the opening of a new correctional facility in Bronzefield partially offset the decrease in activity and the rationalization in the Business and Industry segment.

EBITA more than doubled to reach 11 million euro and the EBITA margin was 1.7%. The actions undertaken for the last two years continue to bear fruit and the return to profitability on the sites is confirmed.

The first-time accounting for retirement obligations and related expenses had a positive impact on EBITA for the first half of 2004-2005. On the other hand, EBITA for the first half of 2003-2004 had benefited from the effects of the Rugby World Cup.

Philip Jansen became Chief Executive in October 2004. He implemented an action plan with the following objectives:

- to create a positive growth dynamic,
- to reinforce rigor on site management, and
- to ensure, at all levels, effective controls on costs.

Philip and his team are focused on their absolute priority: to return the EBITA margin to a level equivalent to that of the Group.

Rest of the World

In the rest of the world, revenues totaled 0.6 billion euro, with organic growth of 7.9%. Excluding the impact of the Rugby World Cup which took place in Australia in November 2003, organic growth was 18.2%. Our activities in Asia, Latin America and in Remote Sites all achieved double digit growth.

New clients such as Cerro Verde in Peru, Shanghaï General Motors Corporation and HSBC Electronic Data Processing in continental China, Bechtel in Romania and Pride International in Angola have all placed their confidence in us.

EBITA totaled 12 million euro, including a margin of 2.2%. The Remote Sites segment benefited from a resurgence in foraging activities, and its results increased thanks to the opening of new multiservice contracts, notably in the North Sea, and the reorganization of activities in Northern Africa.

On the other hand, the profitability of our activities in Asia-Oceania was penalized by a decrease in event activities at the Sydney stadium and the pursuit of our investments in the development of the Chinese and Indian markets.

Service Vouchers and Cards

Revenues in this activity were 131 million euro, with an organic growth rate of 7.6%. Emission volume (face value of the checks and cards multiplied by the number of checks and cards issued) totaled 2.6 billion euro, an increase of 6% over the same period for the prior year, excluding currency effects and at a constant consolidation scope.

This performance is explained by commercial success in our traditional services: Restaurant, Food and Gift vouchers. In Latin America, in Central Europe, and in Asia, Sodexho Pass successfully convinced new clients of the quality of our solutions to motivate and retain their employees: in the pharmaceutical industry (Bristol-Myers Squibb, Novartis, Aventis), in cosmetics (L'Oréal) and in consumer goods (Unilever).

The commercializing of new services in the assistance area, such as Vacation Pass, Nursery Pass, and Culture Pass, reinforce our development: Lloyds TSB, Slovaq Telecom, the city of Stuttgart, the region of Provence-Alpes-Côte d'Azur and the Belgian National Lottery have chosen to partner with us.

EBITA totaled 39 million euro, an increase of 7.5% over the prior year, excluding currency effects. The EBITA margin was 29.5%, or 1.5% of emission volume.

Exceptional expense

The exceptional expense of 69 million euro, mainly includes the charge of 60 million euro in connection with the estimated payments and defense costs remaining for the winding down of the « Class Action » litigation in the United States.

Income taxes

The effective tax rate increased from 34.8% for the first half of 2003-2004 to 36.1% for the first half of 2004-2005.

Group net income

Group net income, after goodwill amortization, totaled 67 million euro, a decrease of 31.4%.

Group net income, after goodwill amortization and excluding exceptional expenses, totaled 107 million euro, an increase of 9.7% or 13.9% excluding currency effects.

Financial position as of February 28, 2005

The following table presents cash flow items.

	Half year ended February 28,	
	2005	2004
	(millions of euro)	
Cash provided by operating activities	213	225
Cash flow from changes in working capital	(59)	(188)
Net cash flow from operating activities	**154**	**37**
Net tangible and intangible fixed assets	(80)	(76)
Financial investments	(3)	(13)
Net cash used in investing activities	**(83)**	**(89)**
Net cash used in financing activities	**(44)**	**(18)**
Net increase in cash and cash equivalents	**27**	**(70)**

Cash provided by operating activities (including dividends received from equity method investees) totaled 213 million euro, a decrease of 5%, but a level comparable to that of the first half of the prior year, at constant exchange rates. The surplus in working capital declined during the first half of the year, as is customary in our activities. This decline was only 59 million euro, compared to 188 million euro in the first half of 2003-2004. The cash flow from operating activities thus totaled 154 million euro.

Net capital expenditures of 80 million euro represented 1.4% of consolidated revenues.

Acquisition expenditures totaled 3 million euro.

Net cash used in financing activities totaled 44 million euro as a result of reductions in debt balances.

Net debt was reduced by 140 million euro, including a currency effect of 54 million euro as of the closing date for the half year. As such, net debt of 770 million euro represents only 39% of Group shareholders equity.

As of February 28, 2005, financial debt totaled 2 007 million euro and mainly comprised two euro bond issues totaling 1 368 million euro and syndicated credit facilities in US dollars for 472 million euro. The remaining debt balance consists of capital leases and other credit lines.

At the close of the first half, 77% of our borrowings were at fixed rates and our average interest rate was 5.2%. The Group had available credit facilities of 252 million euro. In addition, as of February 28, 2005, off balance sheet commitments of the Group (see note 22-1 in the consolidated financial statements) totaled 128 million euro, representing 6.7% of consolidated Group shareholders equity.

On April 29, 2005, the Group entered into a new multi-currency variable rate syndicated credit facility with a maximum amount of 460 million euro and 700 million US dollars. This financing will be used to pre-pay the April 2001 credit facility and the May 2004 line of credit.

During fiscal 2004-2005, senior management has continued to implement its strategic plan comprised of five major axes which need continued investments, notably in human resources and training:

- adhere to values;
- accelerate profitable organic growth;
- improve management;
- improve our operations and our operating margin; and,
- reinforce internal controls.

The Group Chief Operating Officers, Michel Landel and Jean-Michel Dhenain, reported to the Board of Directors on the development of the business over the first months of the fiscal year. In particular, there have been longer than anticipated discussions concerning the U.S. Marine Corps contract and delays in the start-up of new contracts signed in Europe.

Accordingly, based on current information, the Board of Directors confirmed the November 2004 objectives for fiscal 2004-2005, which are as follows:

- organic growth in revenues at a pace equivalent to that of fiscal 2003-2004;
- an increase in EBITA, excluding currency effects, of around 5%.

SODEXHO Group
Consolidated Financial Statements
February 28, 2005

I CONSOLIDATED INCOME STATEMENT

(In millions of euro)	6 months ended February 28, 2005	% revenues	Change	6 months ended February 28, 2004	Year ended August 31, 2004
REVENUES	**5.890**	**100.0%**	**0.0%**	**5.890**	**11.494**
Other income	22			21	40
Purchases	(2.040)	(34.6%)		(2.048)	(3,942)
Employee costs	(2.699)	(45.8%)		(2.695)	(5,277)
Other external charges	(755)	(12.8%)		(743)	(1,505)
Taxes, other than income taxes	(46)	(0.8%)		(41)	(82)
Depreciation and increase in provisions	(94)	(1.6%)		(103)	(213)
EARNINGS BEFORE INTEREST, EXCEPTIONAL ITEMS, INCOME TAXES, INCOME FROM EQUITY METHOD INVESTEES, GOODWILL AMORTIZATION AND MINORITY INTERESTS (EBITA)	**278**	**4.7%**	**(1.0%)**	**281**	**515**
Financial expense, net	(55)	(0.9%)	(15.1%)	(65)	(118)
INCOME BEFORE EXCEPTIONAL ITEMS, INCOME TAXES, INCOME FROM EQUITY METHOD INVESTEES, GOODWILL AMORTIZATION AND MINORITY INTERESTS	**223**	**3.8%**	**3.3%**	**216**	**397**
Exceptional expense, net	(69)	(1.2%)		(11)	(33)
Income taxes	(55)	(0.9%)		(71)	(109)
INCOME BEFORE INCOME FROM EQUITY METHOD INVESTEES, GOODWILL AMORTIZATION AND MINORITY INTERESTS	**99**	**1.7%**	**(26.3%)**	**134**	**255**
Net income from equity method investees				1	1
Goodwill amortization	(28)	(0.5%)	(1.7%)	(29)	(59)
GROUP NET INCOME BEFORE MINORITY INTERESTS	**71**	**1.2%**	**(33.7%)**	**106**	**197**
Minority interests in net income of	4			9	14

consolidated subsidiaries					
GROUP NET INCOME	**67**	**1.1%**	**(31.4%)**	**97**	**183**
EARNINGS PER SHARE (in euro)	**0.42**		**(31.4%)**	**0.61**	**1.15**
DILUTED EARNINGS PER SHARE (in euro)	**0.42**		**(29.5%)**	**0.59**	**1.15**

II CONSOLIDATED BALANCE SHEET

ASSETS *(in millions of euro)*	February 28, 2005	August 31, 2004	February 29, 2004
FIXED AND INTANGIBLE ASSETS, NET			
Goodwill	1,316	1,394	1,402
Intangible assets	2,355	2,519	2,486
Property, plant and equipment	351	362	365
Financial investments	63	66	62
Equity method investees	22	14	19
Total fixed and intangible assets, net	**4,107**	**4,355**	**4,334**
CURRENT AND OTHER ASSETS			
Inventories	178	163	172
Accounts receivable, net	1,571	1,368	1,589
Prepaid expenses, other receivables and other assets	592	552	565
Marketable securities	614	536	632
Restricted cash	159	168	150
Cash	464	505	394