SODEXHO ALLIANCE SA
Form 20-F
January 03, 2003

As filed with the Securities and Exchange Commission on January 3, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b)
OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: August 31, 2002
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from __ to __
Commission file number: 1-31274

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

Republic of France
(Jurisdiction of incorporation or organization)

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

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

Title of each class	Name of each exchange On which registered
American Depositary Shares, Representing Common Shares	New York Stock Exchange
Common Shares, par value EUR 4 per share	New York Stock Exchange*

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:	None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:	None
The number of outstanding shares of each class of stock of Sodexho Alliance, SA at August 31, 2002 was:	
Common Shares, par value EUR4 per share....................	159,021,416

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

Yes X No

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

Item 17 X Item 18

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As used in this Annual Report, the terms "we," "our," "us," "Sodexho," "Sodexho Alliance" and "the Group" refer to Sodexho Alliance, SA and its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements included in this Annual Report contain information that is forward-looking. Such statements include information regarding our beliefs, estimates and current expectations concerning our future financial condition and results of operations, including trends affecting our businesses. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. The information contained in this Annual Report including, without limitation, the information under the heading "Item 3.D Key Information--Risk Factors" identifies important factors that could cause such differences. It should be recognized that factors other than those expressly set forth in this Annual Report, such as general economic factors and business strategies, may be significant, and that the factors discussed herein may affect us to a greater extent than indicated. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. All forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements appearing in this Annual Report. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

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

Exchange Rates

Under the provisions of the Treaty on the European Union negotiated at Maastricht in 1991 and signed by the then 12 member states of the European Union in early 1992, a European Monetary Union, known as EMU, was implemented on January 1, 1999 and a single European currency, the euro, was introduced. The following 12 member states participate in EMU and have adopted the euro as their national currency: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain. The legal rate of conversion between French francs and the euro was fixed on December 31, 1998 at EUR 1.00 = FF 6.55957. All translations of French francs into euro herein have been made at that rate.

The following tables set forth, for the periods and dates indicated, certain information concerning the exchange rate for the French franc and euro based on the 2 p.m. ECB time rates quoted by the European Central Bank. From January 1, 1999, the European Central Bank has provided 2 p.m. ECB time rates quoted for the euro only. No representation is made that franc or euro amounts have been, could have been or could be converted into dollars at the 2 p.m. ECB time buying rates indicated for any given date. Unless otherwise indicated herein, exchange rates have been translated throughout this Annual Report on Form 20-F at the end-of-period rate corresponding to the period for which the translation has been made.

	At end of period(1)	Average rate(2)	High	Low
French francs per U.S. dollar:				
1998......................	5.9335	5.9931	6.2139	5.7062
Euro per U.S. dollar:				
1999......................	0.9458	0.9061	0.9878	0.8485
2000......................	1.1228	1.0263	1.1268	0.9201
2001......................	1.0919	1.1316	1.2118	1.0477
2002......................	1.0170	1.0978	1.1658	0.9856

(1) All periods end August 31 of the stated year.
(2) The average of the rates on the last day of each month during the relevant period.

Month ended	High	Low
Euro per U.S. dollar:		
July 31, 2002...	1.0283	0.9856
August 31, 2002...	1.0323	1.0129
September 30, 2002......................................	1.0364	1.0025

October 31, 2002	1.0272	1.0111
November 30, 2002	1.0096	0.9876
December 31, 2002	1.0131	0.9536

On December 31, 2002, the 2 p.m. ECB time rate quoted by the European Central Bank was EUR 0.9536 = U.S. $1.0000, or U.S. $1.0487 = EUR 1.0000. This rate may differ from certain of the actual rates used in the preparation of our consolidated financial statements, which are prepared in euro, and therefore dollar amounts appearing herein may differ slightly from the actual dollar amounts which were translated into euro in the preparation of such consolidated financial statements in accordance with accounting principles generally accepted in France.

A substantial proportion of our assets, liabilities, revenues and expenses are denominated in currencies other than euro, in particular, the U.S. dollar and the British pound sterling. Accordingly, fluctuations in the value of the euro relative to other currencies can have a significant effect on the translation into euro of non-euro assets, liabilities, revenues and expenses. For information with respect to the impact of fluctuations in exchange rates on our operations, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the offer and use of proceeds

Not Applicable.

D. Risk Factors

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

Risks Related to our Business

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

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

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

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

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

Certain trends in the global labor market, or in certain specific areas, could adversely impact our business. The global economy has experienced reduced levels of unemployment in recent years which have created a shortage of qualified workers at all levels. Given that our workforce requires large numbers of entry level, skilled and hourly workers, especially in the delivery of services other than food services to our clients, low levels of unemployment could compromise our ability in certain businesses to provide quality service or compete for new business. A failure to hire and retain qualified management personnel, particularly at the entry management level could also jeopardize our continued success. Moreover, labor laws in certain countries require us to retain employees of businesses we acquire, which in turn may cause us to incur additional training costs and increase headcount beyond optimal levels. Adverse developments regarding the foregoing trends, individually or in the aggregate, could have a material adverse effect on our results of operations.

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

We face fluctuating food prices and limited availability of certain food items during the year. Food price and availability also varies by geographic location. In addition, broader trends in food consumption, such as the recent concern about beef consumption in Europe, may from time to time disrupt our business. Our typical contract allows for certain adjustments due to rising prices or changed menus over time, but often we must accept a reduced margin for a period of time to ensure the availability of certain required food groups and to maintain customer satisfaction. Our experience has been that changes in food preferences or shortages, when they occur, may adversely affect our profitability at a given location. Although most of our contracts provide for minimum annual price increases for products and services provided by us, we could be adversely impacted during inflationary periods if the rates of contractual increases are lower than the relevant inflation rate. To the extent that food costs or other operating costs increase, and to the extent we are unable to pass these costs on to our clients for competitive or economic reasons, our profit margins will decrease.

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

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

Competition in our industry could adversely affect our results of operations

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

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

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

Recent weak economic conditions in the United States and worldwide have resulted in lower demand for our services from non-government sector business clients, particularly private corporate clients in our Food and Management Services and River and Harbor Cruises activities, with a negative impact on our revenues. Further economic downturns may reduce demand for our services as well as decrease occupancy rates in certain segments of the facilities which we manage. These factors may cause us to lose business, lose economies of scale, or contract for business on less favorable terms than our current prevailing terms. Additionally, our Remote Sites activity is heavily dependent on the oil industry, and therefore can be cyclical and dependent upon oil prices.

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

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

We are subject to governmental regulation

Due to the nature of our industry, our operations are subject to a variety of international, federal, state, county and municipal laws, regulations and licensing requirements, including regulations governing such areas as labor, employment, immigration, health and safety, consumer protection and the environment. The costs of compliance with these various regulatory regimes has a significant impact on our bottom line, and violations of certain regulations could result in the loss of a client contract or fines. There can be no assurance that additional regulation in any of the jurisdictions in which we operate would not limit our activities in the future or significantly increase the cost of regulatory compliance.

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

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

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

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

A significant portion of our revenues is derived from international markets. During fiscal 2002, approximately 75% of our revenues were generated outside the euro zone. The operating results of our international subsidiaries are translated into euro and such results are affected by movements in foreign currencies relative to the euro, especially movements in the value of the U.S. dollar.

Our business is also subject to risks whose effects may be more pronounced in our international operations, including national and local regulatory requirements; potential difficulties in staffing and labor disputes; failures to obtain and manage support and distribution for local operations; fluctuations in local interest rates; inflation; credit risk or poor financial condition of local customers; the potential imposition of restrictions on investments; potentially adverse tax consequences, including imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries; foreign exchange restrictions; and local political or social conditions. There can be no assurance that the foregoing factors will not have a material adverse effect on our international operations or on our consolidated financial condition and results of operations.

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

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

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

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

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

At August 31, 2002, our percentage of total debt to total capitalization was approximately 52%. Our total capitalization is the sum of our shareholders' equity, minority interests and borrowings and long-term debt. Some lenders may consider this ratio negatively in their credit decisions. Also, financial and other covenants in our lending agreements may occasionally restrict our ability to operate our business in certain ways. Specifically, our agreements limit our ability to dispose of our assets, our subsidiaries' abilities to guarantee and borrow money, our ability to incur certain types of debt, our ability to merge or consolidate with other companies (subject to certain exceptions) and our ability to alter the fundamental nature of our business (subject to certain exceptions). In addition, we are obligated under these agreements to maintain certain ratios of net debt to EBITDA and interest to EBITA which may also impair our ability to enter into certain types of transactions.

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

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

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

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

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

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

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

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

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

ADS holders will generally have the right to instruct the depositary to exercise the voting rights for the shares represented by the ADSs if we ask the depositary to ask the holders for instructions. There can be no guarantee, however, that ADS holders will receive voting materials in time to instruct the depositary to vote. It is possible that ADS holders, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote at all.

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a leading global provider of services in four primary business areas: Food and Management Services, Remote Sites, Service Vouchers and Cards, and River and Harbor Cruises. In the Food and Management Services business, which accounted for approximately 92% of our total revenues in fiscal 2002, we are a leading global provider of outsourced food and multiservices to businesses, public agencies and institutions, long-term and short-term healthcare facilities, universities, primary and secondary schools and other clients. In the fiscal year ended August 31, 2002, we had revenues of approximately EUR 11.6 billion from this activity, operating through approximately 24,700 individual outlets in 74 countries. Food services include food and beverage procurement and preparation, as well as the operation and maintenance of food service and catering facilities, generally on a client's premises. Multiservices include physical plant operations and maintenance, energy management, groundskeeping, housekeeping, custodial and janitorial, on-site laundry and an evolving suite of other services for which our clients have identified a need. Our Remote Sites activity, which had revenues of EUR 590 million in fiscal 2002, specializes in providing many of the foregoing services to temporary and remote sites of our clients' operations, specifically those affiliated with oil and gas recovery, major construction projects and mining. Our Service Vouchers and Cards activity, which had revenues of EUR279 million in fiscal 2002, primarily issues and manages the provision of paper and debit-card vouchers to our clients' employees for food, products and services and the provision of various welfare benefits from government clients to their constituents. Our River and Harbor Cruises activity, which had revenues of EUR 95 million in fiscal 2002, operates in various markets, providing tourist excursions and upscale dinner cruises for individuals and corporate consumers alike.

Our chairman, Pierre Bellon, launched the company in 1966 in Marseille, France, by providing food service to employee restaurants. Since our founding, we have been focused on growth, especially organic growth. By 1968, we began operating in the Paris area, and we expanded our operations internationally in 1971 with a food services contract in Belgium. We were incorporated on December 31, 1974 as Sodexho, SA (societe anonyme), a French limited liability company, for a duration of 99 years from this date. Between 1971 and 1993, we continued our international growth with the development of our Remote Sites business in Africa and the Middle East, the extension of our Service Vouchers and Cards business into Belgium and Germany, and the expansion of our food services business into other parts of Europe and Asia and overseas into North America, Latin America and South Africa.

Since 1995, we have rapidly expanded our worldwide presence through organic growth and acquisitions. Our acquisition of Gardner Merchant in 1995 made us the world's largest contract food services company, based on annual revenues, gave us a significant presence in the United Kingdom and the Netherlands and strengthened our operations in North America. In January 1996, we acquired a minority interest in Partena, strengthening our position in the Nordic countries, a position which we further solidified by increasing our holding to more than 90% of Partena's outstanding capital stock in 1999.

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

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

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

In June 2001, we completed a transaction by which we acquired the remaining interest in Sodexho Marriott Services, Inc. ("SMS", now known as Sodexho, Inc.) for approximately EUR 1.3 billion. In the fourth quarter of fiscal 2001, we acquired 100% of the capital stock of the Wood Company ("Wood Dining Services"), a company doing business as Wood Dining Services, and 60% of the capital stock of Sogeres. We exercised our option to purchase the additional 40% of the capital stock of Sogeres in November 2001. The total cost for all of the capital stock of both companies was EUR 521 million, a portion of which was paid in the fourth quarter of fiscal 2001 and the balance of which was paid at the time the remaining shares of Sogeres were acquired in the first quarter of fiscal 2002. Prior to the acquisition, Sogeres had been our fourth-largest competitor, based on revenues, in the French outsourced catering market, operating primarily in Paris, the French Riviera and the Rhone-Alps region. The acquisition of Wood Dining Services brought a significant regional food service provider into our network, adding over 500 clients and the management of over 10,000 employees across 21 states in the United States.

Since 1983, our shares have been listed on Euronext Paris (formerly the Paris Bourse), since 1998 we have been part of the benchmark index for that exchange, the CAC 40 and on April 3, 2002, our ADSs were listed on the New York Stock Exchange. In February 1997, our shareholders voted to change our name to Sodexho Alliance, SA, and we were duly re-incorporated as such on February 25, 1997. We are subject to Book II of the French Code du Commerce and to Act No. 67-236 of March 23, 1967 concerning "les societes commerciales et des groupements d'interet economique" (French company law). Except as mentioned above, we and our subsidiaries have not been a party to any material reclassifications, mergers or consolidations and there have been no material changes in our mode of conducting business or in the types of products produced or services we offer. As of the date of this Annual Report on Form 20-F, there has been no indication of any public takeover offer by any third party respecting our shares or by us respecting another company's shares, except as described above.

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

Acquisition and Capital Expenditures

The following table sets forth our acquisition and capital expenditures (on a consolidated basis) for fiscal 2000, 2001 and 2002.

	Fiscal year ended August 31,		
	2002	2001	2000
	(millions of euro)		
Property, plant and equipment and intangibles....................	297	233	174
Acquisitions........................	107	1,768	93
Total..............................	404	2,001	267

We estimate that our consolidated capital expenditures for fiscal 2003 will be approximately 2% of our revenues. This estimate is set yearly and is based on commercial, technical and economic factors such as client demand and the availability of equipment and building space. Capital expenditure estimates remain subject to the finalization of services and other client contractual terms relating to these expenditures.

Property, Plant and Equipment

Approximately two-thirds of our property, plant and equipment capital expenditures involve the purchase of catering equipment used on client premises and the boats used in our River and Harbor Cruises business. The remaining portion of our capital expenditures relates to internal items such as information technology and vehicles used to support our operations. We generally use our clients' premises for food services, and therefore our property, plant and equipment capital expenditures are limited. We do, however, use trucks owned or leased by us to deliver food to the premises of our clients in certain markets.

Acquisitions and Divestitures

Our material acquisition expenditures and divestitures since August 31, 1999 are highlighted below.

In May 2002, we divested our entire interest in Lockhart Catering Equipment Ltd for EUR 61 million in cash. Based in the United Kingdom, this subsidiary was primarily engaged in the distribution of catering equipment, a non-core activity for the Group.

In November 2001, we acquired the remaining shares of Sogeres which we did not own from BNP Paribas for cash consideration of EUR72 million. Sogeres' contribution to Group net income for fiscal 2002 totaled EUR 4.9 million.

In November 2001, we acquired 100% of the capital stock of Minesite Catering Pty Ltd in Australia for EUR 10 million in cash. Minesite Catering is part of our Remote Sites activity.

In June and July 2001, we acquired 100% of the capital stock of Wood Dining Services, a North American food and management services company, and 60% of the capital stock of Sogeres, a French food and management services company. We exercised our option to purchase the additional 40% of the capital stock of Sogeres in November 2001. The total cost for all the capital stock of both companies was EUR 521 million, a portion of which was paid in the fourth quarter of fiscal 2001 and the balance of which (EUR 72 million)was paid at the time the remaining shares of Sogeres were acquired in the first quarter of fiscal 2002. In June 2001, after a negotiation process with a special committee of independent directors formed by SMS's Board of Directors, we successfully completed a tender offer for the 53% of SMS we did not already own, as calculated on a fully-diluted basis, at a total cost of approximately EUR 1.3 billion. Following its merger into SMS Acquisition Corp., SMS became a wholly-owned subsidiary of Sodexho Alliance, and was renamed Sodexho, Inc. Funding for the June and July 2001 transactions was provided through a rights offering in the amount of EUR 1.0 billion and the incurrence of an additional EUR 0.8 billion in debt.

In May 2001, we divested our entire minority interest in Corrections Corporation of America ("C.C.A.") (a successor company to Correctional Management Services Corporation ("C.M.S.C.") and Prison Realty Trust Inc.), for EUR 3 million in cash.

In April 2000, Sodexho Scandinavian Holding AB sold 50.05% of Attendo Care (formerly, Partena Care) for EUR 6 million in cash. The remaining interest in Attendo Care was sold in December 2001.

In January 2000, we acquired the remaining 51% of Universal Services, in which we had held a 49% interest since March 1997, for EUR 57 million in cash.

In November 1999, we acquired Prebail-Enterprises (subsequently Altys Gestion) and 30% of the capital stock of Saggel Holding for EUR 14 million in cash.

Ongoing capital expenditures for property, plant and equipment are expected to be funded from operating cash flows. Acquisition expenditures, such as our recent acquisitions of SMS (known now as Sodexho, Inc.), Sogeres and Wood Dining Services, may be financed through a combination of subsidiary operating cash flows, investment cash flows, borrowings from financial institutions and other sources, including debt and equity issuances.

Since 1995, we have made three bond issuances, three equity offerings and three syndicated bank borrowings to aid in financing our acquisition expenditures. In 1995, we raised EUR 155 million by issuing 1,722,708 new shares for cash and raised EUR 543 million in syndicated bank borrowings to finance the acquisition and existing indebtedness of the Gardner Merchant Services Group. These borrowings were repaid in 1996 and 1998. In 1996, we issued 400,000 bonds for a total of EUR 305 million, each of which bears an annual interest rate of 6% and matures in 2004. Each of these bonds carries a warrant entitling the bearer to purchase 16.66 of our shares before the maturity date for EUR 411.61, which will result in further capital issuances of up to EUR 1.6 billion by 2004. In 1997, we raised EUR 306 million by issuing 835,770 new shares for cash. In March 1998, Sodexho, Inc. (formerly SMS) raised U.S. $1.3 billion (approximately EUR 1.2 billion, based on the August 31, 1998 U.S. dollar-to-French franc exchange rate then converted into euro at the fixed rate of 6.55957 French francs per euro), of which EUR 580 million was guaranteed by us. Outstanding balances on these facilities were refinanced in the third quarter of fiscal 2001 (see further discussion below). In 1999, we issued a total of EUR 300 million in bonds which bear an annual interest rate of 4.625% and mature in 2009. In July 2001, we raised additional capital of EUR 1.0 billion by issuing 22,498,729 new shares for cash.

In the fourth quarter of 2001, in connection with the acquisitions of Sodexho, Inc., Sogeres and Wood Dining Services and to refinance Sodexho, Inc.'s existing debt, we entered into a credit agreement for total amounts of EUR 1.9 billion and U.S. $1.1 billion, divided among four facilities. The first and second facilities, in the amount of EUR 1.9 billion, financed the acquisitions. On July 5, 2001, EUR 0.9 billion of these facilities were repaid out of the proceeds of our July 2001 share issuance. The balance was repaid with the proceeds of the debt securities issued in March 2002, as described below. The third and fourth facilities, in the amount of U.S. $1.1 billion, were used to refinance Sodexho, Inc.'s existing debt and are repayable in quarterly installments with a final maturity date of April 5, 2006. Our interest margin for these facilities is 0.55% over LIBOR or EURIBOR, as appropriate, adjusted over time to reflect fluctuations in our credit rating (these margins may range from 0.45% to 1.50%). The facilities are subject to customary terms, financial covenants and events of default. The Group has entered into various agreements to convert variable interest rates to fixed rates.

In addition, on March 6, 2002, we finalized the terms of an issuance of EUR 1 billion of debt securities in the European markets, which closed on March 25, 2002. We used the net proceeds from the sale of these debt securities, approximately EUR 992,330,000, to refinance the credit facility referred to above. The debt is issued in 5.875% notes due March 25, 2009.

B. Business Overview

General

Our operations can be divided into four broad activities: Food and Management Services, Remote Sites, Service Vouchers and Cards, and River and Harbor Cruises. Food and Management Services is our most significant business and accounted for 92% of our revenues for the fiscal year ended August 31, 2002. Over half of our revenues in this activity were generated from our North American subsidiary, Sodexho, Inc. (formerly SMS). Remote Sites accounted for 5% of our revenues in fiscal 2002. The Service Vouchers and Cards and River and Harbor Cruises activities together accounted for approximately 3% of our revenues in fiscal 2002. Within the Food and Management Services business, we manage our operations in four geographic segments: North America, Continental Europe, the United Kingdom and Ireland, and the rest of the world.

The tables set forth below summarize certain financial information for these activities for the fiscal years ended August 31, 2002, 2001 and 2000.

Revenues	2002	2001 Restated(3)	2000 Restated(3)
	Fiscal year ended August 31, (in millions of euro)		
Food and Management Services			
North America	5,995	5,657	4,857
Continental Europe	3,413	3,034	2,852
United Kingdom and Ireland	1,671	1,717	1,569
Rest of the World	566	581	495
Total Food and Management Services	11,645	10,989	9,773
Remote Sites			
North America	195	180	98
Continental Europe	51	52	44
United Kingdom and Ireland	81	74	65
Rest of the World	263	273	208
Total Remote Sites	590	579	415
Service Vouchers and Cards			
North America			
Continental Europe	124	105	77
United Kingdom and Ireland	10	4	2
Rest of the World	145	140	115
Total Services Vouchers and Cards	279	249	194
River and Harbor Cruises			
North America	44	62	64
Continental Europe	41	39	39
United Kingdom and Ireland	10	10	11
Rest of the World			
Total River and Harbor Cruises	95	111	114
Total	12,609	11,928	10,496

EBITA(1)	2002	2001 Restated(3)	2000 Restated(3)
	Fiscal year ended August 31, (in millions of euro)		
Food and Management Services			
North America	297	295	258
Continental Europe	140	129	132
United Kingdom and Ireland	11	87	76
Rest of the World	7	0	14
Total Food and Management Services	455	511	480
Remote Sites	26	30	20
Service Vouchers and Cards	77	61	47
River and Harbor Cruises	2	7	15

EBITA, excluding corporate expenses	560	609	562
Corporate expenses(2)	(35)	(38)	(32)
Total	525	571	530

(1) EBITA represents net income before interest expense, exceptional items, income taxes, income from equity method investees, goodwill amortization and minority interests. EBITA is a line item from our French GAAP financial statements, similar to operating income.
(2) Refers to corporate holding company level overhead expenses.
(3) Refer to "Item 5-Operating and Financial Review and Prospects", and notes 1 and 5.5 to the Consolidated Financial Statements for further information on the restatement.

Strategy

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

Organic growth. Organic growth represents our preferred and most profitable growth alternative as the outsourced food and management services market in which we operate continues to expand rapidly. This expansion stems from the worldwide trend towards outsourcing of non-core functions, including food and management services, as enterprises increasingly make strategic decisions to focus on their core businesses and seek cost efficiencies. We seek to be in close proximity to our clients, thereby allowing us to anticipate and satisfy their needs promptly with service solutions tailored to their specific situation.

We expect to find opportunities for organic growth by

- segmenting and sub-segmenting our client base,
- expanding our food services offering beyond traditional food service sales points into vending, trolley and take-out sales points, directors' tables and executive dining, branded concepts, merchandising and other programs,
- expanding our offering beyond food services to "multiservice" solutions such as building management and maintenance, business support services and ancillary services to individuals,
- continuing our expansion into the public sector, and
- strengthening our large multinational account capabilities as we build our organization throughout the world.

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

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

By leveraging our size across many markets we also

- o increase the exchange and transfer within our organization of "best practices" pertaining to inventory and personnel management and quality control and delivery techniques, as well as leverage experience gained across the various client segments and markets throughout our operations,

- o leverage our experience and brand through cross-segment teamwork between our Food and Management Services and our Service Vouchers and Cards businesses,

- o are able to better coordinate labor scheduling practices and share training costs across markets, and

- o streamline the use of ingredients we use and coordinate menu planning across closely-situated sites.

Invest in our people. We are strongly committed to the development and promotion of our staff and invest in our human capital. The human resources department has prepared plans and programs to detect, prepare, train and globalize tomorrow's executive teams. It is supported in this role by the Sodexho Management Institute, our internal management training program, which currently has capacity for 500 executives a year.

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

Focus on cash flow. We seek to minimize working capital requirements and maximize free cash flow. To this end, we implement measures to control internal capital spending, set targets for lower client credit, manage inventories and link bonuses for executives and management teams to the achievement of clearly stated targets at all levels of our organization.

Reinforce controls and risk management. Reporting on controls and risk management to the Audit Committee of our Board of Directors, Group management continues to reinforce our internal controls, including the intensity and frequency of internal audits. We are in the process of reinforcing our central audit function, which reports to our Chairman and Chief Executive Officer. Our internal procedures, delegation and contract review policies are being evaluated and updated. A summary of risks and financial commitments has been presented to the Audit Committee.

Further, in October 2002, a disclosure committee was formed to evaluate our disclosure controls and to review annual and semi-annual reports, financial press releases, our Annual Report on Form 20-F, and other information presented to shareholders. As a consequence, existing disclosure procedures and controls will be evaluated and updated as appropriate.

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

Food and Management Services

Overview

We are a global food and management services contractor. In the fiscal year ended August 31, 2002, our revenues in this activity were approximately EUR 11.6 billion. In fiscal 2002, we operated through approximately 23,600 individual outlets in 74 countries. None of our clients generates more than 1% of our total revenues.

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

Business and Industry. The Business and Industry market accounted for EUR 5.5 billion of our Food and Management Services activity revenues in fiscal 2002, delivered at over 13,100 sites, representing 47.2% of our total Food and Management Services activity revenues. Traditionally, this market has been comprised of corporate customers, whom we provide with food services as well as vending, reception, mailroom, cleaning and facilities maintenance. Over the last 35 years, we have expanded the range and depth of our services and clients to include

- providing food and management services to government agencies and other public clients, such as the defense sectors in the United States, the United Kingdom and Australia;
- providing food service at prestige occasions, which include some of the world's most prominent tourist, sports and recreational events like the Royal Ascot horse races, the British Open Golf Tournament, the Tour de France, the Davis Cup and the 2000 Summer Olympic Games in Sydney, Australia;
- providing a full range of executive dining services and the management of conference centers and private clubs for our corporate clients; and
- providing food service and custodial services, maintenance, transportation, professional training, and rehabilitation services to correctional facilities in many locations outside of North America.

Healthcare. For fiscal 2002, revenues in the Healthcare market totaled EUR 3.0 billion at over 5,000 sites, representing 26.3% of our total Food and Management Services activity revenues. In this market, we provide catering services, vending, meal delivery, patient transport, room upkeep, cleaning, groundskeeping, laundry and maintenance services, to hospitals, clinics, nursing homes, retirement and care centers around the world. In order to better address our clients' needs, we have sub-segmented the Healthcare market into long-term care facilities, primarily for seniors, and acute care facilities, catering primarily to hospitals and outpatient clinics. Historically, a larger proportion of our business has come from the acute care facilities, but restructuring in the healthcare industry in recent years has resulted in fewer hospitals as well as in shorter patient stays, leading the short-stay market to contract by approximately one percent each year. By contrast, shifting trends in caring for the elderly have led the long-stay market to expand by approximately 1.5% each year. The Healthcare market has traditionally been more insulated from economic downturns than the Business and Industry market, lending stability to our revenue base.

Education. In fiscal 2002, revenues in the Education market totaled EUR 3.1 billion at over 3,300 sites, representing 26.6% of our total Food and Management Services activity revenues. This portion of our business provides food and management services to educational institutions ranging from nursery schools to universities. Clients choose us to design, manage and equip their food service facilities and to provide a wide range of incidental services. Besides food, we offer vending, laundry, maintenance, groundskeeping, environmental services, day care, mealtime supervision and hospitality services. Like the Healthcare market, the Education market is relatively unresponsive to changing economic conditions and thus contributes to reducing volatility in our revenues.

Services Mix

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

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

Capital requirements in this business are minimal because of

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

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

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

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

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

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

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

- Building management and maintenance services, which comprise the technical maintenance operations required to deliver electricity, water, gas and other utilities to the various areas on a particular site. In France, for example, our subsidiary Altys provides building services to large client accounts such as Cisco in Belgium and Germany.

A multiservice approach is especially important in the Healthcare market, where pressure on cost structures combined with greater life expectancy and increasingly sophisticated medical technologies has led clients to seek to reduce the cost of services that are not an integral part of their business. We estimate the outsourcing potential for multiservice to be two and one-half times greater than that for food services. We believe this potential reflects not only low independent contractor penetration but also an increasing trend towards clients seeking a single-source solution for their facilities and on-site needs.

The Market for Outsourced Food and Management Services

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

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

Outsourcing recently has grown particularly in the Education and Healthcare markets, where a large number of the services we provide had historically been provided by the government or other public institutions. Governments have found outsourcing to be a useful tool in attempting to reduce central expenses and budget deficits.

Healthcare represents the largest potential market for food and management services with outsourcing rates still comparatively low. We estimate that roughly half of this market is in short-stay care centers (public and private hospitals) and half in long-term care facilities for the elderly and dependent. On average, we estimate that about one quarter of this market is currently outsourced, with short-stay facilities generally more likely to outsource than long-stay facilities by a ratio of almost two-to-one.

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

There are significant growth opportunities also in the Business and Industry market, especially in public sectors such as defense in developed countries and across all sectors in emerging markets. The market for multi-service national providers (food and facilities) is growing as large corporations are moving toward outsourcing all of their non-core services on a multisite and multiservice basis. We estimate that only about half of such services are outsourced on average, but substantial differences exist from one country to another.

Contracts

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

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

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

Profit sharing contracts include elements of both of the foregoing contract types insofar as they provide for us and our client to share a set percentage of any profits earned from providing our services. Like profit and loss contracts, these contracts incentivize us to lower costs and improve operating margins. In some cases, we are not responsible for covering our expenses if we do not generate a profit; in other cases, we must share the risk of operating losses with our client.

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

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

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

Competition

We face significant competition in the Food and Management Services business from local, regional, national and international outsourced service providers, as well as from businesses, healthcare and educational institutions, and government agencies and institutions that choose to operate their own services following the expiration or termination of contracts with us or with our competitors. We compete on the basis of both price and quality of service and product, although in some cases, generally involving large multinational companies or the government sector, clients put a greater emphasis on price. Our mission is to improve the quality of daily life, and hence create value for our clients, and our strategy is to avoid the commoditization of our service offering. Accordingly, we may lose some business to competitors on the basis of price.

Within the outsourced portion of the global market there is a high level of fragmentation. Only the top two companies, we and Compass (headquartered in the United Kingdom), can be considered truly global enterprises. The next two largest contract caterers, Aramark (headquartered in the United States) and Elior (headquartered in France), are pursuing expansion outside of their home countries through acquisitions, but they still remain largely focused on their domestic or continental markets, with less than 40% of their revenues coming from overseas operations in each case (40% for Elior).

The following table shows the ranking of the three leading contract caterers, in terms of revenues, in different market segments, as of August 2002.

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

Source: Broker reports, GIRA

On a national scale, competition levels vary significantly, though concentration is generally higher than on the global stage. High concentration levels are found in some countries such as France, where we, Compass and Elior have over 75% of the outsourced market, and the Netherlands, where we, Compass and Albron, a national provider, have approximately 77%. By contrast, more fragmented environments tend to exist in some of the other countries in which we operate.

While the markets in which we operate continue to be highly fragmented, in recent years the contract food service industry has experienced consolidation and multinational expansion. Drivers for consolidation come from both the client and supplier side. A larger entity with international coverage is able to tender for the larger contracts and can negotiate better terms from its suppliers. In addition, larger companies can obtain economies of scale and implement best practices across sites. As a result of these benefits of scale, consolidation in the industry has been accelerating, both in terms of the number and size of deals, with the most recent significant examples being the acquisition of Servicemaster by Aramark in 2001 and the merger between Compass and Granada in the United Kingdom which was completed in 2000.

Remote Sites

Our Remote Sites activity provides customized services similar to those provided by our Food and Management Services activity to remotely located facilities on land and offshore. As of the end of fiscal 2002, this business operated in nearly 1,100 sites around the world and generated revenues of EUR 590 million. Our primary clients in this activity are oil and gas, construction and mining businesses, to which we offer a wide range of food, hotel, cleaning, technical maintenance, security, groundskeeping, medical surveillance and leisure services, as well as the management of on-site clubs and retail outlets. Clients in the oil and gas industry currently represent approximately two-thirds of our business. This business tends to be cyclical, depending upon the price of oil and gas, which drives exploration efforts, and the extent of economic growth, which drives the construction market. Our contracts in this activity are substantially similar to those in our Food and Management Services activity.

Traditional clients in oil and gas, mining, construction and public works have long outsourced support services. Today, their strategy is to consolidate these services. In a commitment to increasing efficiency and reducing costs, they are cutting back on the number of service providers and expanding the range of services they outsource. We estimate the worldwide remote services market, which spans five continents, to be approximately EUR 10 billion per year, and our only global competitor currently is Compass. We will continue to focus on providing a full range of services in client segments such as oil and gas, construction and engineering, and mining. We anticipate that new opportunities will develop for service providers as prices for raw materials stabilize and the depletion of natural reserves in some countries leads to prospecting in new onshore and offshore areas. The business is worldwide and we follow current and potential clients to provide support services around the globe.

Service Vouchers and Cards

In our Service Vouchers and Card activity, we have operations in 11 countries, mainly in Europe and Latin America, and our vouchers are used by nearly 11 million people. As of the end of fiscal 2002, this activity issued over 1.48 billion vouchers on behalf of more than 257,000 clients and generated revenues of EUR 279 million. Our vouchers were accepted at over 736,100 locations and the total nominal value, which is not included in our revenues, of vouchers issued in fiscal 2000, 2001 and 2002 was EUR 4.2 billion, EUR 5.1 billion and EUR 5.9 billion, respectively. This business generates negative working capital and requires only a modest level of capital investment.

Our Service Vouchers and Cards business, which focused originally on managing employee fringe benefits for companies, has expanded into controlling and managing welfare benefits allocated by federal authorities and local communities. The business currently comprises five product families used to pay for a wide range of social and fringe benefits, including healthcare and household bills, and to purchase everything from gas and groceries to clothes and medications. Our suite of products is split into five families: daily life, incentive, residence, mobility and assistance. Our clients are generally commercial enterprises and community and governmental entities. Revenues from service vouchers and cards activities include the commissions paid by our customers who buy the service vouchers and cards from us and commissions from our affiliated retail outlets where the service vouchers and cards are redeemed. Customer commission revenues are recorded at the time of issuance of the service voucher or card. Affiliate commission revenues are recorded at the time of redemption. Revenues also include interest income from the investment of proceeds from the time of sale of the vouchers to our customers until the time of their redemption, when we must repay our affiliates, generally a two-month period. Service vouchers are used by businesses of all sizes, primarily in large urban centers, and they frequently carry tax or labor law benefits.

To meet new needs and enhance quality, we are constantly expanding our range of services through research and development in card technology, data processing, security and control systems. In fiscal 2000 and 2001, new order processing software was rolled out, and custom-designed affiliation programs were introduced. Express voucher delivery and personalized voucher pick-up from restaurants both significantly contributed to the efficient handling of nearly one billion issued vouchers. We are also developing card technology in Europe and Latin America to offer an advanced solution to client businesses and government agencies which require a more secure, comprehensive alternative to vouchers. Smart cards are currently being tested for use by restaurants in Italy and China.

The current market for service vouchers and cards is estimated at more than EUR 15 billion worldwide, but we estimate that the potential market for existing products in countries where we are already present totals more than EUR 30 billion, making it our fastest-growing activity. Between 2000 and 2001, organic growth in this activity exceeded 20%, and organic growth between 2001 and 2002 approached 20%. We are the second-largest service vouchers and cards business in the world, based on annual revenues. We have only one significant global competitor, Accor. Significant drivers in the industry include product development, geographical expansion, name recognition (branding) and the synergy effects of building large networks of affiliates. Our current objectives in this activity are to (i) consolidate our number two position by offering the best perceived quality services in the market; (ii)enhance our capabilities in new technologies, with a focus on smart card technology; and (iii) innovate and develop new products and services to capture a greater share of the market.

River and Harbor Cruises

Our River and Harbor Cruises business operates with 39 boats and generated revenues of EUR 95 million in fiscal 2002.

We have selectively built an international presence as a premier boat operator in France, the United States and the United Kingdom, rendering us the largest operator of river and harbor cruises in the world, based on annual revenues. We offer day-time harbor cruises and dinner cruises in Paris, London and New York, together with theme cruises in seven other harbors in the United States (through our subsidiary, Spirit Cruises), accommodating millions of passengers. This activity is more capital intensive than the remainder of our businesses, and our development of these activities will be selective, leveraging our current expertise in total management of attractions and optimizing the potential of our river fleet.

Raw Materials

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

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

End-to-end traceability has been introduced in all of the procurement channels, whether for meat or other products.

Seasonality

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

Regulation

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

We are subject to various governmental regulations throughout the world in the course of our operations. These regulations govern such matters as employment, including wages; environmental protection; human health and safety; and the bidding for and performance of contracts with governmental entities. To ensure compliance with these regulations, our facilities and products are subject to periodic inspection by authorities at a local and national level in many jurisdictions in which we operate.

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

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

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

Marketing

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

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

C. Organizational Structure

As of August 31, 2002, we had 235 subsidiaries in 74 countries. Our operations are managed locally through these subsidiaries, although our central management is at the level of Sodexho Alliance, SA. For a complete list of our subsidiaries and a description of our interests in them, please see note 4 to our Consolidated Financial Statements.

D. Property, Plant and Equipment

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

Our service equipment and fixtures include vending, commissary, janitorial, maintenance and laundry equipment used primarily in the Food and Management Services activity. The vehicles comprise automobiles and delivery trucks used in the Food and Management Services and Remote Site Services activities and cruise vessels used in the operation of the River and Harbor Cruises activity. The service equipment and fixtures, computer and office equipment, delivery and other vehicles and cruise vessels had an aggregate net book value as of August 31, 2002 of EUR 208 million.

Our real estate is comprised primarily of office space in several countries, notably France, the United Kingdom and the United States, and had an aggregate net book value of approximately EUR 101 million as of August 31, 2002. No individual parcel of real estate we own is of material significance to our total assets.

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

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The selected consolidated financial data as of and for the years ended August 31, 2000, 2001 and 2002 have been derived from and should be read in conjunction with the consolidated financial statements of Sodexho Alliance included elsewhere in this Annual Report on Form 20-F. The selected consolidated financial data as of and for the years ended August 31, 1998 and 1999 have been derived from consolidated financial statements that are not included in this Annual Report on Form 20-F. Our consolidated financial statements for each of the years ended August 31, 2000, 2001 and 2002 were audited by Befec-Price Waterhouse, member of PricewaterhouseCoopers.

In order to comply with the requirements of the United States Securities and Exchange Commission, the Group restated the financial statements presented herein as of August 31, 2001 and for each of the fiscal years ended August 31, 2001 and 2000 (included elsewhere in this annual report) as described below. In addition, we also restated certain summary financial data as of August 31, 2000 and 1999 and for the fiscal year ended August 31, 1999 (included elsewhere in "Item 5-Operating and Financial Review and Prospects"). The restatements relate to revenue recognition and accounts receivable in our grounds maintenance subsidiary located in the United Kingdom. Pursuant to an internal audit, we discovered in fiscal 2002 certain anomalies in accounts receivable in this subsidiary, which led to the improper recognition of EUR 32 million of revenues during the period 1999 through February 2002. This subsidiary, whose sole activity is grounds maintenance, represents less than 0.5% of our consolidated revenues in each of the years in question. In fiscal 1999 and continuing through the first half of fiscal 2002, detailed record-keeping and documentation contractually required by certain of the subsidiary's public authority clients were not maintained for orders related to existing contracts. As a result, the work performed under the contracts was neither properly documented nor billed to the clients and, accordingly, the EUR 32 million is not collectible. In addition, bookkeeping entries were posted during the periods fiscal 1999 through fiscal 2002 which had the effect of transferring "accounts receivable" to and from other current asset accounts in an effort to elude detection by regional and Group management.

Upon further investigation by internal audit, the errors were found to be isolated to this subsidiary and the persons determined to be responsible for these bookkeeping entries and record-keeping were terminated. These persons did not have any record keeping responsibilities for any other operations of the Group. The subsidiary's policies and procedures applied in the processing of transactions that flow through the accounting system in order to prevent, or promptly detect, misstatements in revenue, have since been reviewed and controls have been reinforced. We have not experienced any loss of contracts or business that would be significant to the consolidated results of operations as a consequence of this situation.

Under the requirements of the SEC, prior year financial statements are restated to reduce revenue in the period the overstatement occurred. Under accounting principles generally accepted in France (Avis CNC No. 97-06) prior periods are not permitted to be retroactively restated, and the overstatement of revenue has been recorded as an exceptional expense when discovered in the year ended August 31, 2002. The overstatement of revenue amounted to EUR 32 million (EUR 22 million after income taxes). Under French GAAP, this amount would be recorded as an exceptional expense in the year ended August 31, 2002. Of the total EUR 32 million, EUR 29 million (EUR 19 million after taxes) relates to periods prior to fiscal 2002 and is being restated (EUR 15 million, EUR 9 million and EUR 5 million, respectively, related to fiscal 2001, fiscal 2000 and fiscal 1999) to comply with the requirements of the SEC. The impact of the restatement on the balance sheet is to reduce accounts receivable and other current assets as of August 31, 2001.

As discussed in notes 1 and 5.5 of the Consolidated Financial Statements, our financial statements presented herein have been restated accordingly.

Our consolidated financial statements have been prepared in accordance with French generally accepted accounting principles ("GAAP"), which differ in certain significant respects from U.S. GAAP. Note 5 to our consolidated financial statements describes the principal differences between French GAAP and U.S. GAAP, as they relate to us, and reconciles our net income and shareholders' equity to U.S. GAAP as of August 31, 2002, 2001 and 2000, and for the fiscal years then ended.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in compliance with relevant French law and in conformity with accounting principles generally accepted in the United States of America, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities, including judgments related to the selection of appropriate accounting policies as well as the appropriate application of those policies. Actual results could differ from those estimates. Our significant accounting policies are described in the notes to the consolidated financial statements included in this Annual Report on Form 20-F. However, we have identified a number of those accounting policies and estimates which we believe are the most significant to our business operations and to an understanding of our financial statements and related footnotes.

Revenue Recognition

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

In the food and management services, remote site, and river and harbor cruise activities, revenue is recognized in the period in which services are provided pursuant to the terms of the contractual relationships with clients.

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

Business Combinations and Impairment of Intangible Assets and Goodwill

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

Under French GAAP, all of our business combinations are accounted for as purchases. The cost of an acquired company is assigned to the tangible and intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill, which is amortized over its estimated useful life. Where we have established a strong presence in a geographic market through an acquisition, an additional intangible asset, market share, is recorded in the allocation of purchase price (within intangible assets in our consolidated balance sheet). Market share is principally determined based on an average of multiples of revenues and EBITA achieved by the acquired companies in the applicable countries as compared to unrelated recent transactions in the marketplace and is reviewed annually for diminution in value. Initial allocations to market share require management to exercise judgment in the choice of unrelated recent transactions in the marketplace. If management believes there has been a significant diminution in the market share value for more than two consecutive years, as determined based on actual results of the applicable subsidiary as compared to the original calculation, it is written down by the amount of the diminution in value. Market share intangibles are not amortized in the consolidated financial statements, and no deferred taxes are recorded on market share intangibles.

Under French GAAP, intangible assets (other than market share) and goodwill are written down to estimated net realizable value when negative conditions are identified. Impairment is determined based on an estimation of value and future benefits of the intangible assets. Should this determination indicate than an intangible asset or goodwill is impaired, the related amortization period is revised or a write-down is recognized. Impairment for market share intangible assets is recognized as a diminution in value in accordance with the policy described above.

Under U.S. GAAP, all of our business combinations are accounted for as purchases. In accordance with SFAS No. 141, "Business Combinations" (APB 16, "Business Combinations," for transactions consummated prior to June 30, 2001), the cost of an acquired company was assigned to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. In accordance with U.S. GAAP, customer relationships, trademarks, assembled workforce (for transactions consummated prior to June 30, 2001 only), and software intangible assets have been identified with respect to our acquisitions. As such, for U.S. GAAP purposes, a portion of the amount allocated to market share and goodwill under French GAAP is allocated to these identified intangible assets. The remaining excess of the cost of the acquired company over the fair value of the net assets acquired is recorded as goodwill. The allocation of purchase price to intangible assets other than goodwill requires management to make estimates with respect to the fair value of those intangible assets, which fair value is largely dependent on assumptions utilized in the valuation methodology, including estimates of future cash flows and appropriate discount rates. A deferred tax liability is recorded with respect to all intangible assets except goodwill, and the amount assigned to goodwill is increased by an amount equal to the deferred tax liability recorded, if any.

For U.S. GAAP purposes, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which required us to reclassify (into goodwill) the carrying value of assembled workforce intangibles and those customer relationship intangibles which did not meet the criteria of SFAS 141 for recognition apart from goodwill. Intangible assets representing assembled workforce and certain customer relationship intangibles, totaling EUR 138 million and EUR 17 million, respectively, were reclassified from intangible assets to goodwill as of the date of adoption of SFAS 142 which, for the Group, was September 1, 2001. Related deferred tax liabilities totaling EUR 55 million were also reclassified to goodwill. None of the identifiable intangible assets recognized apart from goodwill were considered to have indefinite lives. In connection with the transitional goodwill impairment evaluation required by SFAS 142, we determined that there was no impairment and, accordingly, no transitional impairment loss was recorded in the fiscal 2002 U.S. GAAP income statement. The transitional goodwill evaluation required management to make assumptions with respect to the identification of its reporting units. In addition, it required management to make certain assumptions and estimates, including estimates of future cash flows and appropriate discount rates, in order to determine the fair value of the reporting units so identified. Upon adoption of SFAS 142, we ceased amortizing goodwill (including that portion of goodwill which was generated by the reclassification of assembled workforce and certain customer relationship intangibles as of September 1, 2001). All other intangible assets, including customer contracts, trademarks and software, are amortized over their estimated useful lives.

SFAS 142 also requires us to evaluate our goodwill (and identifiable intangible assets with indefinite lives, if any) for impairment at least annually and more frequently if specific events indicate that an impairment in value may have occurred. Similar to the transitional impairment evaluation, this evaluation requires management to make assumptions with respect to the identification of its reporting units as well as the determination of the fair value of the reporting units so identified.

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

Provisions for contingencies and losses

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

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

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

Actuarially-Determined Liabilities

Included in other liabilities are liabilities established using actuarial methods, notably for pensions and postretirement benefits in some of our subsidiaries located in France and the United Kingdom. In French GAAP, there are no specific requirements pertaining to accounting for pension and post-retirement benefits. For subsidiaries located in France, the projected unit credit valuation method is used to evaluate the pension and post-retirement liabilities under French GAAP. In the United Kingdom, our pension plans are administered by a third-party insurance company. Under French GAAP, premiums paid to the insurance company are recorded as an expense in the period in which they are made. Under U.S. GAAP, pension and post-retirement benefits are accounted for using the methodologies prescribed by SFAS 87 and SFAS 106, respectively. Both the projected unit credit valuation method and the methodologies prescribed by SFAS 87 and SFAS 106, which are substantially similar, require the use of actuarial assumptions, including the discount rate, the rate of compensation increase and expected long-term rate of return on plan assets. These assumptions are determined by management and require management to exercise considerable judgment.

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

Derivative Financial Instruments

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

Under U.S. GAAP, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which was effective for the Group September 1, 2000, requires all derivative instruments to be recorded on the balance sheet at their fair value. Changes in fair value are recorded currently in earnings unless the item is designated, qualifies, and is effective as a hedge. Fair value is defined as the amount that would be paid or received to terminate the derivative instrument at the balance sheet date. Changes in the fair value of derivatives designated as part of a hedge transaction are recorded each period in current earnings or other comprehensive income, depending on the type of hedge transaction. For cash flow hedge transactions in which we are hedging the variability of cash flows related to a variable rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument is reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income are reclassified to earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recognized in current period earnings. For certain derivative financial instruments, as permitted by SFAS 133 and as described below, we have elected not to prepare the documentation required by SFAS 133 in order to meet hedge accounting criteria. Had we met and appropriately documented the hedge accounting criteria required by the standard, reported earnings under U.S. GAAP might have been different in each of the periods presented.

Under U.S. GAAP, we have accounted for all of our derivative financial instruments (other than those of Sodexho, Inc., as described below), which consist primarily of interest rate and cross-currency swap agreements, both prior and subsequent to the adoption of SFAS No. 133 at fair value with changes in fair value of instruments recognized currently in earnings. The aggregate adjustment reflected in the reconciliation of consolidated shareholders' equity and consolidated net income (loss) to U.S. GAAP as of and for the years ended August 31, 2002, 2001 and 2000 for "Derivative financial instruments" is attributable entirely to derivative financial instruments accounted for at fair value. The fair value of our derivative financial instruments is generally obtained from third party financial institutions.

Under U.S. GAAP, Sodexho, Inc.'s interest rate agreements have been designated as cash flow hedges in accordance with SFAS No. 133. As of August 31, 2002 and 2001, and for the fiscal years then ended, these cash flow hedges were determined to be effective hedges and, accordingly, changes in their fair value are reflected in the statement of comprehensive income (recorded directly in shareholders' equity). As SFAS No. 133 was effective for the Group and for Sodexho, Inc. as of September 1, 2000, there are no adjustments to consolidated shareholders' equity or net income (loss) as of or for the year ended August 31, 2000.

Currency Translation

For subsidiaries located in foreign countries, assets and liabilities are translated using the end of period exchange rate. Income statement and cash flow statement line items are translated using the average exchange rate for the year, calculated using monthly averages. Exchange rates used are obtained from the Bourse de Paris and other international financial markets. The difference between the translation of the income statement at average and period end rates, as well as the difference between the opening balance sheet accounts as translated at beginning and end of period rates is recorded in shareholders' equity, except with respect to countries considered highly inflationary (Turkey, Argentina, Venezuela), where this difference is included in net financial expense. Foreign exchange gains and losses resulting from intragroup transactions in foreign currencies during the year are recorded in the income statement.

BALANCE SHEET AND INCOME STATEMENT DATA

Our consolidated financial statements and the selected financial data presented below are reported in euro. For periods prior to January 1, 1999, our financial statements were prepared in French francs and translated into euro using the official fixed exchange rate of EUR 1.00 = FF6.55957, applicable since December 31, 1998 (see note 1 to our consolidated financial statements).

	As of and for the year ended August 31,					
	2002	2002	2001	2000	1999	1998
	U.S. $(3)	EUR	EUR(4)	EUR	EUR	EUR
			Restated(5)	Restated(5)	Restated(5)	
	(in millions, except per-share amounts)					
Income Statement Data						
French GAAP amounts						
Revenues....................	12,398	12,609	11,928	10,496	9,027	6,262
Earnings before interest, exceptional items, income taxes, income from equity method investees, goodwill amortization and minority interests (EBITA)...........	516	525	571	530	448	293
Financial expense, net.......	(163)	(166)	(122)	(118)	(131)	(93)
Minority interests in net income of consolidated subsidiaries................	(13)	(13)	(67)	(69)	(56)	(4)
Net income..................	199	202	128	79	128	84
Earnings per share (basic)...	1.25	1.27	0.93	0.59	0.95	0.65
Earnings per share (diluted).	1.20	1.22	0.89	0.56	0.92	0.61
Dividends per share..........	0.60	0.61	0.56	0.56	0.45	0.34
U.S. GAAP amounts						
Revenues....................	12,407	12,618	7,557	5,648		
Operating income............	397	404	153	195		
Net income (loss)...........	134	136	(34)	24		
Earnings (loss) per share						

(basic)....................	0.85	0.86	(0.25)	0.18		
Earnings (loss) per share (diluted)..................	0.84	0.85	(0.25)	0.17		
Balance Sheet Data						
French GAAP amounts						
Intangible assets, including acquisition goodwill........	4,480	4,556	4,731	3,527	3,111	2,859
Tangible fixed assets, including non-working capital, financial investments and other assets	574	584	519	538	556	519
Working capital (1).........	(1,254)	(1,275)	(1,208)	(1,016)	(753)	(515)
Cash and cash equivalents (2)	1,285	1,307	1,213	897	758	584
Total assets.................	8,401	8,544	8,638	6,951	6,026	5,396
Total borrowings.............	2,648	2,693	2,781	2,009	2,047	1,949
Provisions for contingencies and losses..................	97	99	93	115	124	139
Minority interests...........	72	73	131	525	333	251
Total shareholders' equity...	2,358	2,398	2,386	1,402	1,276	1,177
U.S. GAAP amounts						
Total assets..................	8,361	8,503	8,820	4,397		
Total shareholders' equity....	1,849	1,880	2,029	1,095		

(1) Working capital is calculated as the net of an asset component (current assets, loans receivable and deposits and other and prepaid expenses less cash, cash equivalents and restricted cash) and a liability component (accounts payable, vouchers payable and other liabilities).

(2) Cash and cash equivalents includes restricted cash. See note 1 to our consolidated financial statements for an explanation of restricted cash.

(3) The consolidated financial statements are prepared and presented in euro. The U.S. dollar amounts presented in the table above have been translated solely for the convenience of the reader using the August 31, 2002 2 p.m. ECB time rate quoted by the European Central Bank of $1 = EUR 1.016984.

(4) See Note 1 to the consolidated financial statements for a discussion of the impact of changes in accounting principles.

(5) Refer to "Item 5-Operating and Financial Review and Prospects", and notes 1 and 5.5 to the Consolidated Financial Statements for further information on the restatement and note 1 to the consolidated financial statements for a discussion of the impact of changes in accounting principles.

A. Operating Results

The balance sheets of subsidiaries located outside of the euro zone that operate in a stable currency environment are translated into euro using exchange rates in effect at the balance sheet dates. Effective for fiscal 2000, the income statements of these subsidiaries are translated at average exchange rates for the period. Prior to fiscal 2000, the income statements of these subsidiaries were translated into euro using exchange rates in effect at the balance sheet dates. The difference between the translation of the income statement at average and period end rates, as well as the difference between the opening balance sheet account as translated at beginning and end of period rates is recorded in shareholders' equity. Transactions in foreign currencies are translated using the exchange rate in effect at the time of the transaction and are included in the income statement.

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

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

Overview

We divide our operations into four broad activities: Food and Management Services, Remote Sites, Service Vouchers and Cards, and River and Harbor Cruises. Food and Management Services is our most significant activity, and accounted for approximately 92% of our revenues and 81% of EBITA (before corporate expenses) for the fiscal year ended August 31, 2002. It consists of the supply of food and management services to companies, public agencies and institutions, hospitals, clinics, retirement homes, schools, colleges and universities. Over half of our fiscal 2002 revenues in this activity were generated by our North American subsidiary, Sodexho, Inc. (formerly SMS). Remote Sites services are provided worldwide to people working on land and offshore on oil rigs, major construction projects, mining facilities and forestry operations. The Remote Sites activity accounted for approximately 5% of our revenues and EBITA (before corporate expenses) in fiscal 2002. The Service Vouchers and Cards activity accounted for 2% of our revenues and 14% of EBITA (before corporate expenses) in fiscal 2002. The River and Harbor Cruises activity accounted for less than 1% of our revenues and EBITA (before corporate expenses) in fiscal 2002.

Fiscal Year Ended August 31, 2002 Compared with Fiscal Year Ended August 31, 2001

Consolidated Overview of Revenues and EBITA

Revenues for fiscal 2002 totaled EUR 12.6 billion, a 5.7% increase over fiscal 2001. This increase is net of a 2.5% decrease attributable to the unfavorable impact of foreign currency translation, principally arising on revenues denominated in U.S. dollars or reliant on the U.S. dollar exchange rate. The acquisitions of Wood Dining Services and Sogeres in the fourth quarter of fiscal 2001 contributed 6.2%. Organic growth of 2.0% reflected strength in the education and health care segments of the Food and Management Services activity in North America and in Continental Europe, offset by poor performance in the United Kingdom, where management problems surfaced during a year already made difficult by the continuing global economic recession. Excluding the United Kingdom, organic growth was 2.4%. The recession also continued to adversely affect the Business and Industry segment of ou WIDTH="0" SIZE="1" NOSHADE

3,973,872

1.14
%

Total Common Stocks
(Cost $212,706,277)

321,300,611

91.89
%

No. of Shares	Security	Fair Value	Percent of Net Assets
Preferred Stocks 1.14%			
Biotechnology 0.69%			
8,400	**Ixodes AG, Series B[1,2,5]** Develops and produces a topical product for the treatment of borreliosis infection and the prevention of lyme disease from a tick bite. (Cost $2,252,142)	$ 695,057	0.20%
3,162	**NovImmune SA, Series B[1,2]** Discovers and develops therapeutic monoclonal antibodies (mAbs) to treat patients suffering from immune-related disorders. (Cost $2,062,307)	1,705,429	0.49%
		2,400,486	0.69%
Industrial Goods & Services 0.13%			
250,447	**SelFrag AG, Class A, Series C[1,2]**	230,684	0.06%
78,514	**SelFrag AG, Class A, Series D[1,2]**	72,319	0.02%
171,902	**SelFrag AG, Class A, Series E[1,2]** Designs, manufactures and sells industrial machines and processes using selective fragmentation technology. (Cost $1,932,198)	158,338	0.05%
		461,341	0.13%
Medical Equipment 0.32%			
83,611	**EyeSense AG, Series A Preferred[1,2]** A spin-out from Ciba Vision AG. Develops novel ophthalmic self-diagnostic systems for glucose monitoring of diabetes patients. (Cost $3,007,048)	198,524	0.06%
379,747	**Kuros Biosurgery AG[1,2,5]** Develops biomaterials and bioactive biomaterial combination products for trauma, wound and spine indications. (Cost $930,329)	921,093	0.26%
		1,119,617	0.32%
	Total Preferred Stocks	3,981,444	1.14%

(Cost $10,184,024)

See Notes to Schedule of Investments.

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THE SWISS HELVETIA FUND, INC.

Schedule of Investments by Industry (Unaudited) (continued)

September 30, 2015

Security	Fair Value	Percent of Net Assets
Private Equity Limited Partnerships 2.10%		
Biotechnology 0.58%		
Aravis Biotech II, Limited Partnership[1,2,5] (Cost $2,918,672)	$ 2,014,819	0.58%
Diversified Industries 1.52%		
Zurmont Madison Private Equity, Limited Partnership[2,5] (Cost $8,514,955)	5,330,031	1.52%
Total Private Equity Limited Partnerships (Cost $11,433,627)	7,344,850	2.10%
Total Investments* (Cost $234,323,928)	332,626,905	95.13%
Other Assets Less Other Liabilities, net	17,026,209	4.87%
Net Assets	$ 349,653,114	100.00%
Net Asset Value Per Share:		
(349,653,114 ÷ 28,003,675 shares outstanding, $0.001 par value: 50 million shares authorized)		$ 12.49

See Notes to Schedule of Investments.

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Schedule of Investments by Industry (Unaudited) (continued) September 30, 2015

[1] *Non-income producing security.*
[2] *Illiquid. There is not a public market for these securities in the United States or in any foreign jurisdiction, including Switzerland. Securities are priced at Fair Value in accordance with the Fund s valuation policy and procedures. At the end of the period, the aggregate Fair Value of these securities amounted to $15,086,060 or 4.31% of the Fund s net assets. Additional information on these securities is as follows:*

Security	Acquisition Date	Acquisition Cost
Aravis Biotech II, Limited Partnership	July 31, 2007 - June 24, 2015	$ 2,918,672
EyeSense AG Preferred Shares A	July 22, 2010 - October 3, 2011	3,007,048
Ixodes AG Preferred Shares B	April 7, 2011 - June 1, 2012	2,252,142
Kuros Biosurgery AG Common Shares	August 10, 2009 - August 28, 2009	2,516,639
Kuros Biosurgery AG Preferred Shares	August 3, 2015	930,329
NovImmune SA Common Shares	October 7, 2009 - December 11, 2009	1,551,109
NovImmune SA Preferred Shares B	October 7, 2009 - December 11, 2009	2,062,307
SelFrag AG Class A Preferred Shares	December 15, 2011 - January 28, 2014	1,932,198
Spineart SA Common Shares	December 22, 2010	2,623,329
Zurmont Madison Private Equity, Limited Partnership	September 13, 2007 - June 30, 2015	8,514,955
		$ 28,308,728

[3] *One of the ten largest portfolio holdings.*
[4] *The Fund has a fundamental investment policy that prohibits it from investing 25% or more of its total assets in a particular industry. As of September 30, 2015, the Fund had more than 25% of its total assets invested in the pharmaceuticals industry as a result of the appreciation of the value of its existing investments. The Fund will not invest in any additional companies in the industry until such time that the percentage of the Fund s total assets invested in that industry is below 25%.*
[5] *Affiliated Company. An affiliated company is a company in which the Fund has ownership of at least 5% of the company s outstanding voting securities or an equivalent interest in the company. Details related to affiliated company holdings, as of the end of the reporting period, are as follows:*

Name of Issuer	Fair Value as of 12/31/14	Gross Additions	Gross Reductions	Fair Value as of 9/30/15
Aravis Biotech II, Limited Partnership	$ 1,984,736	$ 60,803	$	$ 2,014,819
Ixodes AG Preferred Shares B	683,480			695,057
Kuros Biosurgery AG Common Shares	686,439			306,049
Kuros Biosurgery AG Preferred Shares		930,329		921,093
Zurmont Madison Private Equity, Limited Partnership	12,978,154	195,187	(4,722,446)	5,330,031
	$ 16,332,809	$ 1,186,319	$ (4,722,446)	$ 9,267,049

* *Cost for Federal income tax purposes is $233,176,909 and net unrealized appreciation (depreciation) consists of:*

Gross Unrealized Appreciation	$ 127,034,233
Gross Unrealized Depreciation	(27,584,237)
Net Unrealized Appreciation (Depreciation)	$ 99,449,996

See Notes to Schedule of Investments.

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Schedule of Investments by Industry (Unaudited) (concluded) September 30, 2015

PORTFOLIO HOLDINGS	
% of Net Assets as of September 30, 2015	
Common Stocks	
Pharmaceuticals	25.25%
Food & Beverage	18.12%
Industrial Goods & Services	8.80%
Personal & Household Goods	5.55%
Biotechnology	5.19%
Medical Equipment	5.08%
Banks	3.74%
Chemicals	3.71%
Construction & Materials	3.66%
Technology	3.63%
Insurance	3.47%
Financial Services	2.12%
Telecommunications	1.29%
Retail	1.14%
Travel & Leisure	1.14%
Preferred Stocks	
Biotechnology	0.69%
Medical Equipment	0.32%
Industrial Goods & Services	0.13%
Private Equity Limited Partnerships	
Diversified Industries	1.52%
Biotechnology	0.58%
Other Assets Less Other Liabilities, net	4.87%
	100.00%

See Notes to Schedule of Investments.

Notes to Schedule of Investments (Unaudited)

Note 1 Organization and Significant Accounting Policies

A. Organization

The Swiss Helvetia Fund, Inc. (the Fund) is registered under the Investment Company Act of 1940, as amended (the Act), as a non-diversified, closed-end management investment company. The Fund is organized as a corporation under the laws of the State of Delaware.

The investment objective of the Fund is to seek long-term growth of capital through investment in equity and equity-linked securities of Swiss companies. The Fund may also acquire and hold equity and equity-linked securities of non-Swiss companies in limited instances.

B. Securities Valuation

The Fund values its investments at fair value in accordance with accounting principles generally accepted in the United States (GAAP).

When valuing listed equity securities, the Fund uses the last sale price on the securities exchange or national securities market on which such securities primarily are traded (the Primary Market) prior to the calculation of the Fund s net asset value (NAV). When valuing equity securities that are not listed (except privately-held companies and private equity limited partnerships) or that are listed but have not traded on a day on which the Fund calculates its NAV, the Fund uses the mean between the bid and asked prices for that day. If there are no asked quotations for such a security, the value of such security will be the most recent bid quotation on the Primary Market on that day. On any day when a security s Primary Market is closed because of a local holiday or other scheduled closure, but the New York Stock Exchange is open, the Fund may use the prior day s closing prices to value such security regardless of the length of the scheduled closing.

When valuing fixed-income securities, if any, the Fund uses the last bid price prior to the calculation of the Fund s NAV. If there is no current bid price for a fixed-income security, the value of such security will be the mean between the last quoted bid and asked prices on that day. Overnight and certain other short-term fixed-income securities with maturities of less than 60 days will be valued by the amortized cost method, unless it is determined that the amortized cost method would not represent the fair value of such security.

It is the responsibility of the Fund s Board of Directors (the Board) to establish procedures to provide for the valuation of the Fund s portfolio holdings. When valuing securities for which market quotations are not readily available, or for which the market quotations that are available are considered unreliable, the Fund determines a fair value in good faith in accordance with these procedures (a Fair Value). The Fund may use these procedures to establish the Fair Value of securities when, for example, a significant event occurs between the time the market closes and the time the Fund values its investments. After consideration of various factors, the Fund may value the securities at their last reported price or at some other value.

Swiss exchange-listed options, including Eurex-listed options, if any, are valued at their most recent sale price (latest bid for long options and the latest ask for short options) on the Primary Market, or if there are no such sales, at the average of the most recent bid and asked quotations on such Primary Market, or if such quotations are not available, at the last bid quotation (in the case of purchased options) or the last asked quotation (in the case of written options). If, however, there are no such quotations, such options will be valued using the implied volatilities observed for similar options or from aggregated data as an input to a model. Options traded in the over-the-counter market are valued at the price communicated by the counterparty to the option, which typically is the price at which the counterparty would close out the transaction. Option contracts that are neither exchange-listed nor traded in the over-the-counter market, and where no broker can provide a quote or approved pricing vendor a price, may be valued using the implied volatilities observed for similar instruments or from aggregated market data received from services (*e.g.,* Bloomberg) as an input to a widely-accepted model.

The Fund is permitted to invest in investments that do not have readily available market quotations. For such investments, the Act requires the Board to determine their Fair Value. The aggregate value of these investments amounted to $15,086,060, or 4.31% of the Fund s net assets at September 30, 2015, and are listed in Note 3 to the Schedule of Investments.

Notes to Schedule of Investments (Unaudited) (continued)

Various inputs are used to determine the value of the Fund s investments. These inputs are summarized in the three broad levels listed below:

Level 1 unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 other significant observable inputs (including quoted prices of similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund s own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund s investments as of September 30, 2015:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Investments in Securities				
Common Stock*	$ 317,540,845	$	$ 3,759,766	$ 321,300,611
Preferred Stock*			3,981,444	3,981,444
Private Equity Limited Partnerships			7,344,850	7,344,850
Total Investments in Securities	$ 317,540,845	$	$ 15,086,060	$ 332,626,905

* *Please see the Schedule of Investments for industry classifications.*

Level 3 securities, which are listed in Note 3 to the Schedule of Investments, consist of the Fund s investments in privately-held companies and private equity limited partnerships that invest in privately-held companies.

Inputs and valuation techniques used by the Fund to value its Level 3 investments in privately-held companies may include the following: acquisition cost; fundamental analytical data; discounted cash flow analysis; nature and duration of restrictions on disposition of the investment; public trading of similar securities of similar issuers; economic outlook and condition of the industry in which the issuer participates; financial condition of the issuer; and the issuer s prospects, including any recent or potential management or capital structure changes. Although these valuation inputs may be observable in the marketplace as is characteristic of Level 2 investments, the privately-held companies, categorized as Level 3 investments, generally are highly illiquid in terms of resale.

The Fund values its Level 3 investments in the two private equity limited partnerships in accordance with Accounting Standards Codification 820-10-35, *Investments in Certain Entities that Calculate Net Asset Value Per Share (Or its Equivalent)* (ASC 820-10-35). ASC 820-10-35 permits a reporting entity to measure the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. If the NAV of the investment is not as of the Fund s measurement date, then the NAV should be adjusted to reflect any significant events that may change the valuation. Inputs and valuation techniques for these adjustments may include fair valuations of the partnerships and their portfolio holdings provided by the partnerships general partners or managers, other available information about the partnerships portfolio holdings, values obtained on redemption from other limited partners, discussions with the partnerships general partners or managers and/or other limited partners and comparisons of previously-obtained estimates to the partnerships audited financial statements. In using the unadjusted NAV as a practical expedient, certain attributes of the investment that may impact its fair value are not considered. Attributes of those investments include the investment strategies of the privately-held companies and may also include, but are not limited to, restrictions on the investor s ability to redeem its investments at the measurement date and any unfunded commitments.

Notes to Schedule of Investments (Unaudited) (continued)

When valuing Level 3 investments, management also may consider potential events that could have a material impact on the operations of a privately-held company or private equity limited partnership. Not all of these factors may be considered or available, and other relevant factors may be considered on an investment-by-investment basis. The table below summarizes the techniques and unobservable inputs for the valuation of Level 3 investments.

Quantitative Information about certain Level 3 Fair Value Measurements

	Fair Value at September 30, 2015	Valuation Technique	Unobservable inputs	Range[1]
Privately-held companies				
Biotechnology				
NovImmune SA - Common Shares	$1,633,695	Market approach	Recent round of financing	N/A
NovImmune SA - Preferred Shares	1,705,429	Market approach	Recent round of financing	N/A
Ixodes AG - Preferred Shares	695,057	Discounted cash flow	Discount rate	14%-16%
			Probability of success rate on research and development	40%-60%
Industrial Goods & Services				
SelFrag AG, Class A, Series C - Preferred Shares	230,684	Market approach	Recent round of financing	N/A
SelFrag AG, Class A, Series D - Preferred Shares	72,319	Market approach	Recent round of financing	N/A
SelFrag AG, Class A, Series E - Preferred Shares	158,338	Market approach	Recent round of financing	N/A
Medical Equipment				
Kuros Biosurgery AG - Common Shares	306,049	Market approach	Recent round of financing	N/A
Kuros Biosurgery AG - Preferred Shares	921,093	Market approach	Subscription price	N/A
EyeSense AG - Preferred Shares	198,524	Market approach	Recent round of financing	N/A
Spineart SA - Common Shares	1,820,022	Market approach	2014 peer group revenue multiples	3.0x - 4.0x
Private Equity Limited Partnerships				
Biotechnology				
Aravis Biotech II - Limited Partnership	2,014,819	NAV as a practical expedient	N/A	N/A
Diversified Industries				
Zurmont Madison Private Equity, Limited Partnership	5,330,031	NAV as a practical expedient	N/A	N/A
Total	$15,086,060			

1 *Significant changes in any of these ranges would result in a significantly higher or lower fair value measurement. Generally, a change in the probability of success rate on research and development is accompanied by a directionally similar change in fair value. Conversely, a change in the discount rate is accompanied by a directionally opposite change in fair value.*

The Fund s policy is to disclose transfers between Levels based on their market prices at the reporting period end. There were no transfers between Levels for the period ended September 30, 2015.

The following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value.

	Common Stock	Preferred Stock	Private Equity Limited	Total

			Partnerships	
Balance as of December 31, 2014	$ 4,082,631	$ 3,084,987	$ 14,962,890	$ 22,130,508
Change in Unrealized Appreciation/Depreciation*	(322,865)	(33,872)	(3,471,661)	(3,828,398)
Net Realized Gain (Loss)			320,077	320,077
Gross Purchases**		930,329	255,990	1,186,319
Gross Sales**			(4,722,446)	(4,722,446)
Balance as of September 30, 2015	$ 3,759,766	$ 3,981,444	$ 7,344,850	$ 15,086,060

* *The noted amounts of change in unrealized appreciation/depreciation relate to the fair value of Level 3 assets held on September 30, 2015.*

** *For private equity limited partnership investments, represents contributions of capital or return of capital distributions received.*

Notes to Schedule of Investments (Unaudited) (concluded)

C. Foreign Currency Translation

The Fund maintains its accounting records in U.S. dollars. The Fund s assets are invested primarily in Swiss equities. In addition, the Fund can make its temporary investments in Swiss franc-denominated bank deposits, short-term debt securities and money market instruments. Substantially all income received by the Fund is in Swiss francs. The Fund s NAV, however, is reported, and distributions from the Fund are made, in U.S. dollars, resulting in gain or loss from currency conversions in the ordinary course of business. Historically, the Fund has not entered into transactions designed to reduce currency risk and does not intend to do so in the future. The cost basis of foreign denominated assets and liabilities is determined on the date that they are first recorded within the Fund and translated to U.S. dollars. These assets and liabilities are subsequently valued each day at prevailing exchange rates. The difference between the original cost and current value denominated in U.S. dollars is recorded as unrealized foreign currency gain/loss. In valuing securities transactions, the receipt of income and the payment of expenses, the Fund uses the prevailing exchange rate on the transaction date.

D. Concentration of Market Risk

The Fund primarily invests in securities of Swiss issuers. Such investments may carry certain risks not ordinarily associated with investments in securities of U.S. issuers. These risks include future political and economic developments, unfavorable movements in the Swiss franc relative to the U.S. dollar, and the possible imposition of exchange controls and changes in governmental law and restrictions. In addition, concentrations of investments in securities of issuers located in a specific region expose the Fund to the economic and government policies of that region and may increase risk compared to a fund whose investments are more diversified.

Note 2 Capital Commitments

As of September 30, 2015, the Fund maintains illiquid investments in two private equity limited partnerships. These investments appear in the Fund s Schedule of Investments. The Fund s capital commitments for these partnerships are shown in the table below:

Investments	Original Capital Commitment*	Unfunded Commitment*	Fair Value as of September 30, 2015
Private Equity Limited Partnerships (a)			
Aravis Biotech II, Limited Partnership	$ 3,326,169	$ 267,424	$ 2,014,819
Zurmont Madison Private Equity, Limited Partnership	14,328,114	4,406,248(b)(c)	5,330,031

* *The original capital commitment represents 3,250,000 and 14,000,000 Swiss francs for Aravis Biotech II, LP and Zurmont Madison Private Equity LP, respectively. The unfunded commitment represents 261,300 and 4,305,345 Swiss francs, respectively. The Swiss franc / U.S. dollar exchange rate as of September 30, 2015 was used for conversion and equals 0.9771.*

(a) *This category consists of two private equity limited partnerships that invest primarily in ventures, biotechnology and in management buyout of industrial and consumer goods companies. There is no redemption right for the interests in these two limited partnerships. Instead, the nature of the investments in this category is that distributions are received through the realization of the underlying assets of the limited partnership.*

(b) Although the Fund s unfunded commitment amount generally cannot be used to fund new investments, the partnership may make capital calls up to the amount of the Fund s unfunded commitment for purposes of, among other things, meeting ongoing partnership expenses and obligations, paying the general partner s profit share, paying transaction costs and other costs related to the partnership s portfolio investments, and, to a limited extent, to make certain follow-on investments related to the portfolio investments.

(c) This amount does not reflect a capital call received by the Fund on October 15, 2015, in the amount of CHF 241,550 payable on or before October 29, 2015, to fund a guarantee and a follow-on investment with respect to a portfolio investment of the partnership. This capital call will reduce the unfunded commitment amount to 4,063,795 Swiss franc or $4,159,037 (using the Swiss franc / U.S. dollar exchange rate of 0.9771).

Item 2. Controls and Procedures.

(a) The registrant s principal executive officer and principal financial officer have concluded, based on their evaluation of the registrant s disclosure controls and procedures as of a date within 90 days of the filing date of this report on Form N-Q, that the design and operation of such procedures are effective to provide reasonable assurance that information required to be disclosed by the investment company on Form N-Q is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms.

(b) There have been no changes in the registrant s internal control over financial reporting during the period from July 1, 2015 through September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the registrant s internal control over financial reporting.

Item 3. Exhibits.
Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (Exhibit filed herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): The Swiss Helvetia Fund, Inc.

By (Signature and Title): /s/ Mark A. Hemenetz

Mark A. Hemenetz, Principal Executive Officer

Date: October 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title): /s/ Mark A. Hemenetz

Mark A. Hemenetz, Principal Executive Officer

Date: October 27, 2015

By (Signature and Title): /s/ Alan M. Mandel

Alan M. Mandel, Treasurer and Principal Financial Officer

Date: October 27, 2015