SODEXHO ALLIANCE SA
Form 6-K
July 24, 2006

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

Report of Foreign Issuer

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

For the month of July, 2006

Commission File Number: 001-31274

SODEXHO ALLIANCE, SA

(Translation of registrant's name into English)

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

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

Form 20-F _X_ Form 40-F___

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

Yes ____ No _X_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ____ No _X_

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

Yes ____ No _X_

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

SODEXHO ALLIANCE, SA

TABLE OF CONTENTS

Item

Item 1

I. FINANCIAL REPORT FOR THE FIRST HALF OF FISCAL 2006

Highlights

Sodexho Alliance has applied the IFRS standards since September 1, 2005. Comparative amounts have been presented using the same standards.

(million euros)	First half 2004-2005	First half 2005-2006	Change excluding exchange effect	Exchange effect (1)	Total change
Revenues	5,902	6,546	+ 5.5%	+5.4%	+10.9%
Operating income	210	315	+ 43.3%	+6.7%	+50.0%
Operating income less U.S. litigation	270	315	+ 11.4%	+5.3%	+16.7%
Financial income	(55)	(52)	- 8.2%	+2.9%	- 5.3%
Income taxes	(57)	(102)	+ 70.9%	+8.4%	+79.3%
Group net income	94	160	+ 62.5%	+8.4%	+70.9%
Group net income excluding U.S. litigation	134	160	+ 11.6%	+8.4%	+20.0%

(1) The exchange difference is now determined by applying average exchange rates for the preceding financial year to amounts for the current financial year.

The strengthening of the US dollar against the euro generated positive currency effects in our consolidated financial statements for the first time for three years and resulted in a 2% increase in the balance sheet total, a 5% increase in revenues, a 7% increase in operating profit and an 8% increase in Group net income.

Organic growth in revenues, at a constant consolidation scope and excluding currency effects was 5.5% compared to 4% for the prior period.

For better comparison, operating income and Group net income for the prior fiscal year are also presented excluding the impact of settlement of the U.S. litigation. The consolidated financial statements for the first half of 2004-2005 included a provision for EUR 60 million for the estimated cost of the resolution of this litigation. Thus, excluding exchange differences:

- operating income was EUR 315 million, up 11.4%;
- Group net income was EUR 160 million, up 11.6%.

Analysis of changes in revenues and operating income by activity

Revenues by activity *(million euros)*	First half 2005-2006	First half 2004-2005	Change at current exchange rate %	Change at constant exchange rate %
Food and Management Services				
	2,919	2,586	12.9%	4.0%
North America	2,111	1,984	6.4%	6.4%
Continental Europe	663	640	3.6%	2.1%
United Kingdom and Ireland	678	555	22.2%	10.6%
Rest of the world	**6,371**	**5,765**	**10.5%**	**5.2%**
Total				
Service Vouchers and Cards	**178**	**140**	**27.2%**	**16.9%**
Elimination of intra-group revenues	- 3	- 3		
Total	**6,546**	**5,902**	**10.9%**	**5.5%**

For the first half of fiscal 2006, the Group derived 79% of revenues from Food and Management Services, 18% from Facilities Management and 3% from the Service Vouchers and Cards activity.

Operating income by activity *(million euros)*	First half 2005-2006	First half 2004-2005	Change at current exchange rate %	Change at constant exchange rate %
Food and Management Services				
North America (excluding U.S. litigation)	152	129	16.9%	7.8%
Continental Europe	103	102	1.3%	1.5%
United Kingdom and Ireland	17	11	55.9%	53.6%

Rest of the world	11	12	- 6.0%	- 17.2%
Total	**283**	**254**	**11.3%**	**6.1%**
Service Vouchers and Cards	**53**	**34**	**54.9%**	**43.5%**
Corporate expenses	**(21)**	**(18)**		
Total excluding U.S. litigation	**315**	**270**	**16.7%**	**11.4%**

During the first half of fiscal 2006, activities outside the euro zone represented 70.4% of revenues (of which 43.5% were in US dollars) and 63.2% of operating income (of which 40.7% were in US dollars).

Food and Management Services

Organic revenue growth for Food and Management Services was 5.2% for the first half of fiscal 2006, of which 5.2% was in Business and Industry, 8.2% in Healthcare and Seniors, and 2.4% in Education.

Analysis by region

North America

Revenues in North America were EUR 2.9 billion with an organic growth rate of 4.0% . Business and Industry revenues were up 1.8% as a result of the combination of several positive factors, including a better adaptation of our service offerings to the needs of our customers and strength in catering activites over the year end holiday period. These factors significantly offset the effect of staff reductions at certain of our large clients.

In Defense, Sodexho teams continue to tailor services to the changing needs of the U.S. Marine Corps in the United States. This close partnership over several years has contributed to constructive dialogue with this client regarding contractual modifications pursuant to federal regulations.

The excellent organic growth rate of 7% for the Healthcare and Seniors segment was led by the opening of contracts signed last year. In addition, revenues on existing sites benefited from the expansion of our range of services.

The increase in Education was close to 3%. By consistently seeking solutions most adapted to the expectations of clients and customers, teams were able to increase sales on existing sites in both universities and schools, in line with the Group's focus on accelerating organic growth. However, performance was less robust in the public schools market, where the conditions for renewing certain contracts proposed at the end of the prior fiscal year did not meet the Group's standards for pursuing profitable growth.

Sodexho won a number of major contracts. Examples include: Amgen, Dow Chemical, Pfizer, Val Dosta State University and PBI Regional Medical Center.

Operating income was EUR 152 million, substantially higher than for the prior year period, which included a provision for EUR 60 million in connection with the resolution of the U.S. litigation.

Excluding this provision and currency effects:

- the increase was 7.8%, mainly the result of improved gross margin in the Healthcare and Seniors and Education segments;

- operating margin was 5.2%, compared with 5.0% for the first half of the prior fiscal year.

Continental Europe

In Continental Europe, growth in revenues in the Business and Industry segment was 7.1% and benefited from the signing of new contracts, notably in Central Europe, Spain and Germany as well as strong development in leisure and tourist activities in the Paris area. The ramping up of services in new correctional facilities resulting from Public/Private Partnership arrangements in France also contributed strongly. However, the business climate in Western Europe remains challenged by client staff reductions and site closures.

Revenues increased by 7.7% in Healthcare and Seniors, driven by the opening of several large contracts signed during the prior fiscal year. In addition, the retention rate improved and service offerings continued to expand.

The desire to remain selective, in particular in the public sector, explains the lower revenue growth in Education (+2.2%) .

The most recent successes include BP and Bristol Myers Squibb for Facilities Management in France, Deutsche Telekom in Germany, the Netherlands Ministry of Finance, a framework contract with the Suren Group, the leading senior residential accommodation group in France, the Cruces hospital in Spain and several schools in Nyköping in Sweden.

Operating income of EUR 103 million, a modest improvement over the prior year period, was hampered by continuing headcount decreases, most particularly in Northern Europe as well as the impact of start-up expenses of certain significant new contracts signed last year in France.

As a result, the operating margin decreased, from 5.1% to 4.9% .

United Kingdom and Ireland

In the United Kingdom and Ireland, Business and Industry segment revenues have returned to positive growth in the first half of the year as a result of activity in Correctional Facilities and Defense. Several important contracts signed during the first half confirm Sodexho's leadership position in the Defense market.

Increased activity on several PFI contracts signed in prior years contributed to the growth of nearly 20% in Healthcare and Seniors.

Over 50% of revenues in the Defense, Healthcare and Correctional Facilities segments in the United Kingdom and Ireland are from Facility Management.

Recent successes include the Allenby Connaught, Catterick and North of England garrisons, as well as MBNA and Pfizer.

In the **United Kingdom and Ireland**, operating profit was 17 million euro and in line with the Group's recovery strategy. This represents a significant improvement over the comparable period in Fiscal 2005. Operating income was EUR 17 million. The margin was 2.6%, compared with 1.7% for the prior year period. This increase resulted from improvements in gross margin, in particular in Healthcare and Seniors, Defense and Correctional Services. The progressive return of this subsidiary to profitability is continuing in line with the action plans implemented over the last three years.

Rest of the world

Organic growth for the rest of the world was 10.6% .

In Latin America, improved client retention and development in the mining sector and in Healthcare led to an acceleration of organic growth, both in food service and in Facility Management.

The Remote Sites activity remains strong in the oil and gas sectors despite the impact of the hurricanes in the Gulf of Mexico at the beginning of the fiscal year.

In China, the Group continues to expand at a heightened pace while in Australia, Facilities Management services are progressing.

New clients included the Cargill Group in Argentine and Brazil, and Schincariol and Altapharma in Brazil, The Naval Hospital in Chile, Shanghai Diesel Engine Co and Shanghai No. 1 Hospital Songjiang in Chine and Exxon Mobil and BHP Billiton in Australia have placed their trust in Sodexho.

Operating income amounted to EUR 11 million, slightly lower than the first half of the prior fiscal year. This is explained in particular by:

- a lower level of activity in the Gulf of Mexico, as a result of the hurricanes at the beginning of the year, and termination of a number of Remote Site infrastructure contracts in Australia;

- continued development investment, in particular in terms of human resources, in Asia and Latin America to cater for the potential of these markets.

The operating margin was 1.6%.

Service Vouchers and Cards

Organic growth in revenues reached 16.8%, a significant increase as compared to the first half of fiscal 2005. This growth resulted from strong issuance volume of EUR 3.2 billion which rose by 15.9% (excluding the effects of consolidation scope and exchange rates).

Growth in traditional services such as Restaurant Pass and Food Pass explained the increase, along with strong demand for Gift Pass during the year end holiday period.

The Group continued to innovate, with the creation of new services such as:

- Childcare vouchers in the United Kingdom, where Sodexho was named "Childcare Voucher Provider of the Year for 2006" by the British publication "Employer Rewards and Benefits".
- In Chile, with the Pass Fosis, which facilitates the creation of businesses by the unemployed.

Sodexho Pass has succeeded in convincing new clients of the quality of its solutions to motivate and retain their staff. Examples include: Siemens, Case New Holland and National Secretariat for Social Protection in Brazil, Hindustan Petroleum Corporation and Sasken in India, Swatch and DHL in China, Fujitsu in Germany and the Alliance Nationale des Mutualités Chrétiennes in Belgium. Furthermore, the development of new services continues with, in particular, the Pro-Family Program for the province of Catamarca in Argentina, Childcare Pass in Great Britain (EADS) and Flexi Pass in the Czech Republic (GE Money Bank, Johnson & Johnson or Pfizer).

Operating income amounted to EUR 53 million, a significant increase (excluding exchange differences) over the prior year period. This good performance primarily resulted from the strong growth of the activity, with minimal incremental increase in expenses, which are substantially fixed, in particular in Latin America.

Operating margin rose from 24.4% to 29.8%, or approximately 1.9% of the issuance volume.

Income tax

The tax rate increased from 37% in the first half of fiscal 2005 to 38.5% in the first half of fiscal 2006.

Group net income

Group net income was EUR 160 million, up 70.9% .

Excluding the provision for the U.S. litigation during the prior period, Group net income increased by 20% (11.6% excluding exchange differences).

Adoption of IFRS

The Group has been applying IFRS since September 1, 2005.

The principal accounting elections relating to first-time application of IFRS, and the most significant impacts are in line with the information provided in the Reference Document for fiscal 2005.

The main impacts are as follows:

- the Group has opted to present its income statement by function, as permitted by standard IAS 1;
- the absence of the notion of exceptional income in the IFRS standards has led to the reclassification of a number of transactions to operating or financial income;
- stock option plan expenses are reported in operating income in accordance with IFRS 2;
- goodwill is no longer amortized.

The impact on consolidated shareholders' equity of the application of IFRS is low (a reduction of about 3.5% as of August 31, 2005). In addition, the more restrictive definition of cash and cash equivalents required by IFRS, has led the Service Vouchers and Cards activity in particular to report the following as current financial assets:

- investments in financial instruments with maturities less than 3 months, and
- restricted cash.

A detailed presentation of the impact of the transition to the IFRS standards is provided in the notes to the consolidated financial statements for the first half of fiscal 2006.

Financial position of the Group as of February 28, 2006

The following table presents the main cash flows.

	Half year ended February 28,	
	2006	*2005*
	(euro in millions)	
Net cash flows from operating activities	**107**	**255**
Net cash flows used in investing activities	**(131)**	**(79)**
Net cash flows used in financing activities	**(182)**	**(124)**
Net cash flows	**(206)**	**53**

Excluding the impact of the U.S. litigation and currency effects, income for consolidated subsidiaries increased by 14%.

The change in working capital affected the net cash flow from operating activities, which typically occurs during the first half. However, the decline was more marked than during the first half of fiscal 2005. This is explained by:

- stable accounts receivable compared with an improvement during the first half of fiscal 2005;

- an increase in financial investments with maturities greater than three months in the Service Vouchers and Cards activity, resulting both from the growth of this activity and the pursuit of better returns; and

- the offset of the substantial orders recorded at the end of fiscal 2005 for the Service Vouchers and Cards activity.

The rapid growth in Latin America and return to profitability in the United Kingdom are reflected in an increase in income tax paid.

Consequently, net cash flows from operating activities were EUR 107 million.

Net cash flows used in investing activities were EUR 131 million, with EUR 105 for net tangible investments (1.6% of revenues), and EUR 26 million for financial investments. Sodexho acquired a 55% interest in the Paris Lido during the first half, and also repurchased a number of minority interests in various subsidiaries.

Net cash flows used in financing activities were negative at EUR 182 million, due to the repayment of borrowings.

Financial liabilities amounted to EUR 1,799 million as of February 28, 2006, principally include two bond issuances in euro for a total of EUR 1,362 million, and borrowings in US dollars for EUR 356 million. Other borrowings, capital leases, and derivative financial instruments comprise the balance of this liability.

Cash and cash equivalents net of bank overdrafts amounted to EUR 741 million. Investments in financial instruments with maturities greater than three months, and restricted cash for the Service Vouchers and Cards activity totaled EUR 375 million.

The Group's operating cash position (including current financial assets and cash and cash equivalents) amounted to EUR 1,116 million, of which EUR 749 million related to the Service Vouchers and Cards activity.

Net debt as of February 28, 2006 was EUR 683 million, representing only 31% of Group shareholders' equity.

Fixed rate borrowings as of the end of the period represented 79% of debt, and our average interest cost was 5.7% . The Group has unused bank credit facilities totaling EUR 654 million. Off balance sheet commitments as of February 28, 2006 (see note x to the consolidated financial statements) were EUR 246 million, or 11% of Group shareholders' equity.

Fiscal 2006 outlook

At the May 9, 2006 Board Meeting, Michel Landel, Sodexho CEO, reported to the members of the Board on the Group's activity during the first half of the year and the increase in income. This performance highlights the relevance of actions undertaken over the past year, including the "Clients For Life®" program, and marketing actions designed to increase sales on existing sites. Mr. Landel reaffirmed that the Executive Committee was continuing its efforts to improve operating efficiency and competitiveness in accordance with Sodexho's strategy.

He stated that although organic revenue growth and increase in income could be less pronounced during the second half of fiscal 2006, he was entirely confident in the Group's expansion over the coming years.

Following these discussions, the Board confirmed the high end of the targets set in November 2005 for fiscal 2006:

- organic revenue growth of about 5%;

- increase in operating income, excluding exchange differences, of about 6%.

Ambition 2015

Developed two years ago by 350 managers from around the world to unite the Groups 324,000 employees around a clear vision for the future and to take advantage of the substantial growth potential of its markets, Sodexhos Ambition 2015 is to be the premier global outsourcing expert in quality of life services. Commenting on this strategic vision, Sodexho CEO Michel Landel said, Mobilized around this collective goal, our ambition for 2015 is to double the Groups revenues and triple operating income."

II. SODEXHO ALLIANCE CONSOLIDATED FINANCIAL STATEMENTS AS OF FEBRUARY 28, 2006

1. Consolidated income statement

(in millions of euro)	Notes	Half year 2005-2006	%Revenues	change	Half year 2004-2005
Revenue	**2.21. et 3.**	**6 546**	**100%**	10,9%	**5 902**
Cost of sales		(5 610)	-85,7%		(5 068)
Gross profit		**936**	**14,3%**		**834**
Sales department costs	4.1.	(75)	-1,2%		(66)
General and administrative costs	4.1.	(547)	-8,4%		(499)
Other operating income and charges	4.1.	1			(59)
Operating profit before financing costs	**3.**	**315**	4,8%	50,0%	**210**
Net financing costs	4.2.	(52)	-0,8%	-5,3%	(54)
Share of profit of associates	3.	3	0,1%		(2)
Profit before tax		**266**	4,1%	72,8%	**154**
Income tax expense	4.3.	(102)	-1,6%		(57)
Result from discontinued operations		-			-
Profit for the period		**164**	2,5%		**97**
Minority interests		4	0,1%		3
Group profit for the period		**160**	2,4%	70,9%	**94**
Earnings per share (in euro)	**2.22. et 4.4.**	**1,01**		70,9%	**0,59**
Diluted earnings per share (in euro)	**2.22. et 4.4.**	**1,01**		70,9%	**0,59**

2. Consolidated balance sheet

ASSETS (in millions of euro)	Notes	February 28, 2006	August 31, 2005	February 28, 2005
Non-current assets				
Property, plant and equipment	2.6., 2.7., 2.8. and 4.5	424	406	401
Goodwill	2.4., 2.8. and 4.6.	3 803	3 711	3 506
Other intangible assets	2.5., 2.8. and 4.7.	244	225	205
Associates	2.3.2. and 4.8.	29	26	23
Financial assets	2.11. and 4.10.	74	74	80
Other non-current assets	4.12.	22	18	17
Deferred tax assets	2.19. and 4.20.	244	225	199
Total non-current assets		**4 840**	**4 685**	**4 431**
Current assets				
Financial assets	2.11. and 4.10.	6	7	6
Derivative financial instruments	2.11. and 4.16.	37	40	49
Inventories	2.9. and 4.11.	180	176	177
Income tax		32	19	28
Trade receivable	4.12.	2 173	1 750	1 866
Restricted cash and financial assets related to the Service Vouchers and Cards activity	2.11. and 4.10.	375	326	296
Cash and cash equivalent	2.12. and 4.13.	822	949	852
Total current assets		**3 625**	**3 267**	**3 274**
Total assets		**8 465**	**7 952**	**7 705**

LIABILITIES AND EQUITY

(in millions of euro)	Notes	February 28, 2006	August 31, 2005	February 28, 2005
Shareholders' equity				
Capital		636	636	636
Share premium		1 186	1 186	1 186
Undistributed net income		667	708	715
Consolidated reserves		-293	-467	-761
Total group shareholders' equity		**2 196**	**2 063**	**1 776**
Minority interests		17	18	16

Total shareholders' equity	**2.14., 2.18. and 4.14.**	**2 213**	**2 081**	**1 792**
Non-current liabilities				
Borrowings	2.13. and 4.15.	1 727	1 891	1 684
Employee benefits	2.16. and 4.17.	314	308	314
Other liabilities	4.19.	96	82	64
Provisions	2.15. and 4.18.	60	53	52
Deferred tax liabilities	2.19. and 4.20.	36	50	48
Total non-current liabilities		**2 233**	**2 384**	**2 162**
Current liabilities				
Bank overdraft		81	21	48
Borrowings	2.13. and 4.15.	107	85	408
Derivative financial instruments	2.11. and 4.16.	2	2	4
Income tax		129	84	103
Provisions	2.15. and 4.18.	90	97	87
Trade and other payable	4.19.	2 465	2 197	2 143
Vouchers payable	2.17.	1 145	1 001	958
Total current liabilities		**4 019**	**3 487**	**3 751**
Total equity and liabilities		**8 465**	**7 952**	**7 705**

3. Consolidated statement of cash flows

(in millions of Euro)	Notes	**Half year 2005-2006**	**Half year 2004-2005**
Operating activities			
Operating profit before financing costs		**315**	**210**
Non cash items			
Depreciations		96	92
Provisions		(5)	61
Losses (gains) on disposal and other, net of tax		2	5
Dividends received from associates		1	0
Change in working capital from operating activities		**(191)**	**(39)**
change in inventories		(2)	(22)
change in accounts receivable		(393)	(290)