



# WHAT WE BRING TO THE TABLE

2016 Annual Report





**ARAMARK DELIVERS EXPERIENCES THAT ENRICH AND NOURISH LIVES THROUGH INNOVATIVE SERVICES IN FOOD, FACILITIES MANAGEMENT, AND UNIFORMS. WE PROVIDE AWARD-WINNING SERVICES TO HEALTHCARE INSTITUTIONS, UNIVERSITIES AND SCHOOL DISTRICTS, STADIUMS AND ARENAS, AND BUSINESSES IN 19 COUNTRIES AROUND THE WORLD.**

### **FOOD SERVICES**

Over the past 80 years, we've served food to millions of people from all walks of life, in all places, all around the world. And we've used our array of resources and expertise to cultivate amazing dining experiences that delight our customers, deliver success for our clients, and empower people to lead healthier lives every single day.

### **FACILITY SERVICES**

While facilities have changed a lot over the past few decades, our ability to adapt to new challenges only grows stronger. Today, we provide comprehensive facilities services covering nearly one billion square feet of space in multiple industries all over the world.

### **UNIFORM SERVICES**

As a leading provider of uniforms and workplace supplies to over 300,000 clients across a variety of industries nationwide, we leverage insights to ensure we deliver products and services that make an impact on business.





New 10 year contract with Cologne Fair, Germany



Acquired group purchasing organization, HPSI

# 2016 KEY MILESTONES



Aramark began operations at Yosemite National Park



Year one results ahead of targets on Healthy for Life® 20 By 20 initiative with the American Heart Association



New partnership with Cat Cora



Acquired Avoca, Ireland's largest retailer





# A Message from the Chairman, President and CEO

**Our purpose at Aramark is to enrich and nourish the lives of the customers, consumers and communities we serve around the world every day. We do that by Dreaming and Doing — by innovating and executing to deliver service excellence everywhere we operate. Our 270,000 associates take great pride in providing great experiences wherever people learn, work, play and recover.**

## DEAR SHAREHOLDERS:

**I am pleased to report that 2016 was a year of record breaking progress on Aramark's journey — one marked by unprecedented financial results and total shareholder return that significantly outpaced the broader markets.**

Our focus over the past several years innovating for our clients, engaging our employees and improving our financial performance has helped to build a strong foundation for our company, one that I like to think of as:

- **Proven** — The ability to drive consistent and sustained results.
- **Powerful** — A leader in an established & resilient industry with a blue-chip client base.
- **Promising** — Executing a clear & focused strategy to create shareholder value.

This foundation delivered outstanding financial results\* in 2016 including:

- A 21% increase in earnings per share and an 11% increase in adjusted earnings per share<sup>1</sup>.
- 80 basis points of operating income margin expansion to 5.2% and nearly 40 basis points of constant currency adjusted operating income margin expansion to 6.5%.
- A 30 basis point reduction in Aramark's total debt to covenant adjusted EBITDA ratio to 3.9x.
- An 8% increase in our dividend.
- All of which drove total shareholder return of 25% for the fiscal year.

**Our Three-Year Goal** We have been focused on strengthening our company through the execution of a three pronged strategy — Accelerating Growth, Activating Productivity and Attracting and Retaining the Best Talent. Our focus on Accelerating Growth has led to an expansion of our sales force and a sharply honed approach to winning in the marketplace. This has allowed us to reap strong rewards. Through our Activating Productivity anchor we are achieving savings in food, labor and SG&A costs which allow us to reinvest in the business while expanding margins. We need the right people to execute this strategy, so through Attracting and Retaining the Best Talent, we are making Aramark an even better place to work.

This has not been a small undertaking, and will continue to require significant investments in the business, particularly in technology. The great news is that these investments are working — the food and labor tools we spent the last few years developing are delivering meaningful cost reductions. The success of these pilots has provided us with a good line-of-sight on our deployment plans, which in turn gives us confidence in our 3-year earnings targets. In December 2015, we announced a goal of increasing Aramark's adjusted operating margins<sup>1</sup> by 100 basis points and adjusted earnings per share<sup>1</sup> to \$2.20 by the end of fiscal 2018. With nearly 40 basis points of adjusted operating income margin expansion delivered in 2016, we are well on our way to achieving our goal and the corresponding shareholder value.

**Our New Partnerships** We executed the largest and most successful account mobilization in Aramark's distinguished history — hiring, training and on-boarding in record time more than 1,000 associates at Yosemite National Park. We also welcomed Koelnmesse/Cologne

<sup>1</sup> Constant Currency

\*Annex A of this Annual Report includes reconciliations of financial measures presented in accordance with generally accepted accounting principles ("GAAP") to non-GAAP financial measures included in this Annual Report.

**“Looking forward, I remain exceptionally confident in the worldwide Aramark team and the outlook for our company. Our Proven, Powerful and Promising foundation enables us to deliver sustainable long-term shareholder value.”**

Fair, the largest client in our German business' history. These historic partnerships were just two of many new client relationships started in 2016.

**Our Growing Portfolio** We welcomed Avoca into the Aramark portfolio, one of Ireland's most successful retailers, as well as HPSI, a leading GPO that serves thousands of healthcare providers, educational institutions and hospitality businesses in the U.S. These strategic “tuck in” acquisitions enhance our consumer brand portfolio and ability to compete in the group purchasing space.

**Our Innovation in Action** We continued to accelerate growth through our innovation framework to drive revenue, consumer satisfaction and loyalty. Another hallmark is an exciting new strategic partnership with TV personality, restaurateur and “Iron Chef” Cat Cora to develop and activate an exclusive Mediterranean concept in 2017.

**Our Commitment to Health & Wellness** We are very proud of the results from our Healthy for Life® 20 By 20 initiative with the American Heart Association to improve the health of consumers. In year one, we achieved an 8 percent reduction in calories, sodium and saturated fats across our menus, well ahead of our targets, and generated dramatic response from the underserved communities where we piloted a health engagement and education program to improve diets and lifestyles.

**Our Culture of Recognition** Our 270,000 team members around the world are the foundation of our success and we are committed to recognizing our Service Stars who deliver on our brand promise every day. In 2016, we proudly welcomed our second annual Ring of Stars class, which honors our 200 *“Best of the Best”* frontline team members. We were also recognized once again as an employer-of-choice for our diverse and inclusive work environment.

**Our Bright Future** Looking forward, I remain exceptionally confident in the worldwide Aramark team and the outlook for our company. Our Proven, Powerful and Promising foundation enables us to deliver sustainable long-term shareholder value. I also remain encouraged by the economic resiliency of Aramark's business model. Our diversified client base reduces concentration risk, as no single client comprises more than 2 percent of annual sales; our variable food and labor costs allow us to substantially flex with the macro environment; and roughly half of our sales are derived from less cyclical industry sectors, resulting in another level of stability.

I greatly appreciate your ongoing interest and investment in our company. Your confidence in us has enabled our success so far, and your continued support is instrumental to our future success.



A handwritten signature in black ink that reads "E. J. Foss". The signature is written in a cursive, flowing style.

Eric J. Foss  
Chairman, President and Chief Executive Officer





**PROVEN**

## DRIVING CONSISTENT AND SUSTAINED RESULTS

2016 was a year of championship performances for Aramark and our client partners. We had the good fortune of partnering with every major professional sports champion in the U.S., along with the NCAA champions in football, basketball, baseball and lacrosse. We also had the honor to serve several high profile events throughout the year, including both the Republican and Democratic national conventions.

It was a strong year across our portfolio, including new partnerships with the Minnesota Vikings, Fordham University and The Rock & Roll Hall of Fame, to name a few. Our International business continued to grow with notable wins in China, Northern Europe and Germany, including the largest client in our German business' history, Koelnmesse/Cologne Fair, the sixth largest Trade Fair in the world. Our Uniforms business benefited from our investments in capacity expansion, which resulted in organic sales growth and new clients, including Publix, the largest employee owned grocery retailer in the U.S.

Innovation and quality are a major focal point for Aramark across the entire business, particularly in the important area of Health & Wellness. We continue to accelerate growth through an innovation framework centered around new culinary ideas and promotions, celebrity chef partnerships and proprietary concepts that is driving revenue, consumer satisfaction and loyalty.

In June, we announced a strategic partnership with TV personality, restaurateur and "Iron Chef" Cat Cora to develop an exclusive healthy Mediterranean concept called OLILO by Cat Cora. In addition, we expanded our in-unit chef partnerships with celebrity chefs like Andrew Zimmern, Jimmy Bannos, José Andrés and Danny Meyer.



including innovation, global competitiveness and social responsibility.

All of our success to innovate around the world did not go unnoticed. We were very pleased to be named to *Fortune's Most Admired Companies* list in 2016, ranking #1 for Diversified Outsourcing based on key criteria



### EDUCATION

We proudly serve more than 600 million nourishing meals each year to K-12 and college students.

We are also especially proud of the year one results from our Healthy for Life® 20 By 20 initiative with the American Heart Association (AHA), which aims to improve the health of Americans by the year 2020.



*"The American Heart Association is grateful for Aramark's continued commitment to improving the health of all Americans and we're delighted with the progress we have collectively made in the past year," said Nancy Brown, CEO of the American Heart Association. "This proves that our work is truly advancing the health of Americans and we look forward to continuing this great work in the coming years."*

We achieved an 8 percent reduction in calories, sodium and saturated fats across the menus we serve in colleges and universities, hospital cafes and workplace locations. Over 30 percent of main dishes served on these menus are now vegetarian or vegan, and over 50 percent of the entrees or sandwich items are 500 calories or less. And, in the underserved communities where we piloted a health engagement and education program to drive behavior change, fruit and vegetable consumption was up almost a cup serving per day among participants.

In year two, Aramark and the AHA will expand and scale the successful community health engagement program and launch a consumer health engagement and awareness campaign.





# POWERFUL



## A LEADER IN AN ESTABLISHED AND RESILIENT INDUSTRY WITH A BLUE-CHIP CLIENT BASE

Our mission to deliver experiences that enrich and nourish lives is fueled every day by our 270,000 team members around the world. We know that our employees are the foundation of our success and we continue to accelerate our efforts to attract and retain the best people.

In 2016, we earned recognition for the diverse and inclusive environment we proudly nurture. For the second year in a row, we were named a *Best Place to Work for LGBT Equality*, earning a perfect score on the Human Rights Campaign Corporate Equality Index. We were also named an employer-of-choice by *Diversity Inc.*, *BLACK ENTERPRISE*, *LATINO* and *CAREERS & the disABLED* magazines.

Our recruiting efforts are accelerating with a keen focus on filling our talent pipeline with high-potential candidates from our on-campus recruiting initiatives, as well as from the large pool of deserving military veterans.

Our commitment to build a culture of recognition continued to flourish in 2016, as we welcomed our second annual Ring of Stars class, which honors our 200 “*Best of the Best*” frontline team members. This program is growing, with thousands of nominees each year, all of whom serve as inspirational motivators for all of our employees.

Aramark has pivoted to a more center-led organization, rolling out a standard and repeatable business model across our organization that is supported through technologies that fundamentally change how we work at all levels of the organization, from the frontline to the executive leadership.

We appreciate the outstanding efforts of all of our team members who have made a great deal of progress activating productivity this past year, establishing



### HEALTHCARE

Our patient-centric approach can improve satisfaction and elevate the entire patient dining experience.

centers of excellence to give us the ability to create standard processes and key performance measures to propel the organization forward.

Our investment in technology is providing insights that are more timely and actionable. Focus areas in food include menu optimization, strategic sourcing, standard food production processes and greater discipline around waste reduction. On the labor side, we are working to implement wages that work, get a better handle on headcount, create smart schedules and address overtime and agency overruns.

Finally, while Aramark operates in 19 countries, our global headquarters has been located in Philadelphia, Pennsylvania since 1961. In September, we recommitted to staying in our hometown, and plan to move in 2018 to a modern riverfront headquarters that will provide our associates with a dynamic work environment and exciting amenities, with an emphasis on innovation, sustainability and green space.



2016 LATINO 100







# PROMISING



## EXECUTING A CLEAR AND FOCUSED STRATEGY TO CREATE SHAREHOLDER VALUE

Aramark is a leader in a dynamic market with a \$900 billion opportunity, the large majority of which has yet to be tapped. It is an exciting place to be with enormous upside for future growth.

Since our IPO in 2013, the company has been on a steady march to increase margins through balanced sales growth and simultaneous reinvestment. At our Investor Day in December 2015, we announced a three-year goal to increase adjusted operating margins by 100 basis points by the end of 2018. We continue to make solid progress, guided by our focused strategy to build the business through three key areas: Accelerating Growth, Activating Productivity and Attracting the Best People.

We are driving incremental margin expansion through our SG&A, food and labor productivity initiatives, which netted about 40 basis points of constant currency margin improvement in fiscal 2016. A portion of our gross productivity and margin savings continue to be reinvested in the business to deploy new technology, optimize our portfolio and explore strategic alliances and small “tuck-in” acquisitions.

In 2016, we made two strategic acquisitions that are strengthening our consumer brand portfolio and helping us compete more effectively. We acquired Avoca, one of Ireland’s most successful retailers, which operates 11 destinations including cafes, food halls and retail stores, as well as a home catering company. Initial results have been very encouraging, as Avoca is not only accretive to our business, the brand is also providing us with consumer insights that are driving future trends across the company.

We also strengthened our ability to compete in the group purchasing space by acquiring HPSI, a privately-held organization founded in 1964 that serves thousands of healthcare providers, educational institutions and hospitality businesses in the U.S. We believe that HPSI will support our margin march by increasing our purchasing power, scale and technology strength in the healthcare and education sectors.



### SPORTS AND ENTERTAINMENT

We enhance the game day experience for more than 100 million sports fans each year.

As we continue to fine tune our portfolio, we remain focused on adding capabilities that will help us become more competitive in businesses with promising margin potential. In our Facilities business, for example, we have recently established a dedicated management team to ensure that we are consistently delivering high-quality service through a repeatable business model. We are leveraging a core competency within Aramark, as we seek to increase vertical sales with our existing clients. We believe that there is meaningful opportunity in this business, as the facilities function is currently less outsourced than the food business and the relatively higher margins will be accretive to our corporate margins.

Our 270,000 strong Aramark team is rallying behind our focused strategy, driving increased consumer and employee satisfaction, which in turn, is accelerating financial performance and helping to create shareholder value. One year into this journey we have notched almost 40 basis points of adjusted operating income margin improvement toward our goal of 100.

Much of the progress to date has been manual as we have created the preconditions necessary to deploy technologies that enable greater productivity. As these technologies continue to come to market, they are fundamentally changing how we work and will unlock even greater opportunity to reach our goal.



**CORPORATE  
RESPONSIBILITY:  
OUR PURPOSE**





Our mission is to enrich and nourish lives. It is also our responsibility. We serve millions of clients, consumers and communities across the globe and strive to operate with integrity, respect and in the most responsible way possible.

We work to develop innovative product and service solutions that put our social responsibility goals at the forefront — focusing on initiatives supporting our diverse workforce, advancing consumer health and wellness, protecting our environment, and strengthening our communities.



### EMPLOYEE ADVOCACY

We provide competitive wages and benefits, a safe, open work environment, and development opportunities so our team members can grow their careers with us. We are recognized as an employer-of-choice for our commitment to a diverse and inclusive work environment.

### HEALTH & WELLNESS

Healthy for Life®, our comprehensive wellness platform, features a range of menu items and education and awareness initiatives that work together to support healthy lifestyles. Our groundbreaking partnership with the American Heart Association is designed to improve the health of our consumers, team members and communities by enhancing our menus to reduce calories, saturated fat and sodium levels while increasing fruits, vegetables and whole grains.

### ENVIRONMENTAL SUSTAINABILITY

We weave environmental sustainability into everything we do, making constant progress on our commitment to source responsibly, minimize waste, support efficient operations with natural resource conservation, and



manage our fleet to minimize the environmental impact. We measure our impact and hold ourselves accountable.

### COMMUNITY INVOLVEMENT

We invest financial resources in tandem with employee volunteer skills and expertise, and develop community partnerships to make a meaningful difference. Through our global volunteer and philanthropic program, Aramark Building Community, we partner at the local level to improve family and community health and help individuals succeed in the workplace. We also support national and local organizations and contribute \$15 million annually to nonprofits through the Aramark Charitable Fund, corporate contributions, and through our businesses.







# CORPORATE RESPONSIBILITY: IN ACTION





## COMMUNITY

Since 2008, Aramark has invested more than \$10 million in volunteer expertise and financial in-kind resources and nearly 45,000 employees have contributed more than 190,000 volunteer hours, impacting 4.5 million children, adults and families, to strengthen communities around the world through Aramark Building Community, our global philanthropic and volunteer program. During our global day of service in 2016, more than 9,000 employees volunteered in nearly 450 projects.

## ENVIRONMENTAL SUSTAINABILITY

This past year we enhanced our Green Thread™ environmental sustainability platform which brings to life Aramark's commitments and programs focused on responsible sourcing, waste minimization, operational efficiency and transportation management.



Green Thread provides Aramark associates serving universities, schools, stadiums, hospitals, municipalities, businesses and other venues with more resources and tools to consistently advance sustainable practices at thousands of locations every day by:

- Increasing procurement of local, seasonal and responsibly sourced products
- Reducing, reusing and recycling food and other waste
- Conserving energy and water and providing healthy environments
- Reducing fuel consumption and minimizing emissions

In 2016, we made significant progress against our commitments to responsible sourcing and animal welfare. Aramark became the first major food service company to call on its suppliers to implement additional humane conditions for the treatment of broiler chickens by 2024, or sooner. This pledge is part of the company's industry-leading animal welfare policy, instituted in 2015, that covers the care and treatment of farm animals, including rapid growth, confinement and painful procedures.

We established a new Sustainable Seafood Sourcing Policy, which reinforces a pledge to purchase 100 percent of our U.S. contracted seafood from responsible sources that meet Monterey Bay Aquarium Seafood Watch® program recommendations by 2018.



This new policy includes our recently-completed transition to 100 percent sustainably sourced canned skipjack and albacore tuna. We are also working to avoid the purchase of "at risk species" as defined by Seafood Watch®, address human rights abuses and support responsible management practices.

Aramark is proud of our continued progress to minimize food waste. A new partnership with LeanPath, a company that uses real-time data to measure and track food waste, builds upon an initial pilot with results showing a 36 percent reduction in food waste. We expect to install LeanPath across our 500 highest volume locations over the next year, with plans to expand more broadly.

While reducing food waste at its source is Aramark's primary focus, occasional overproduction due to unique situations, can happen. In these cases, Aramark's Food Donation Program, in partnership with the Food Donation Connection, provides a solution to safely donate surplus food to local hunger relief agencies, helping families in need.

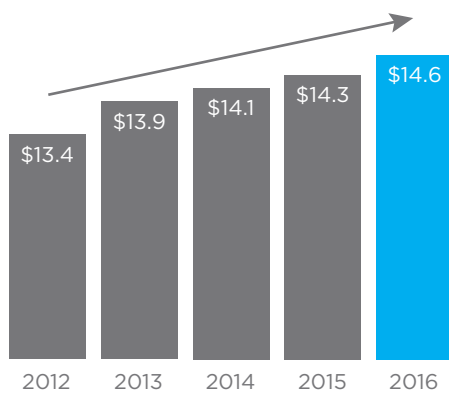
Other areas that are woven under Green Thread include environmentally-friendly building operations, such as efficient building design, water and energy-saving efforts, and Aramark's Blue Cleaning™ program, which uses electrically activated or ionized tap water to safely clean without harmful chemicals.

The company's fleet operations continue to address efficient fuel usage through advanced maintenance diagnostics, and state-of-the-art routing software to map out the most efficient travel routes.

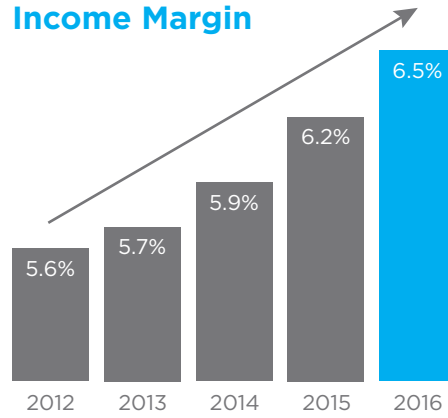


# Financial Highlights

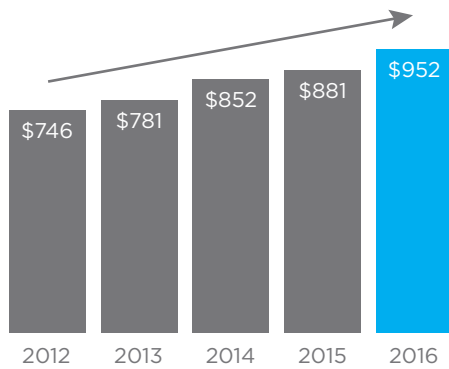
**Organic Sales (\$B)**



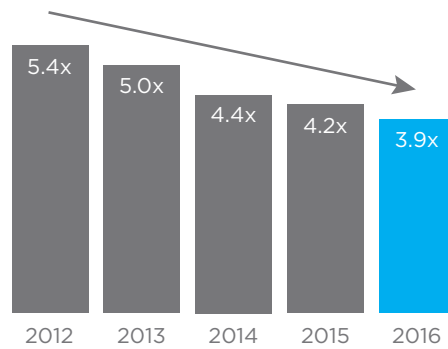
**Adjusted Operating Income Margin**



**Adjusted Operating Income (\$M)**



**Debt to Covenant Adjusted EBITDA**



See Reconciliation of GAAP and Non-GAAP information at the end of this Annual Report.





# aramark 2016

## financial performance

ARMK  
LISTED  
NYSE.

aramark





UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2016

Commission File Number: 001-36223



**Aramark**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**Aramark Tower**

**1101 Market Street**

**Philadelphia, Pennsylvania**

(Address of principal executive offices)

**20-8236097**

(I.R.S. Employer  
Identification Number)

**19107**

(Zip Code)

**(215) 238-3000**

(Registrant's telephone number, including area code)

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

Title of Each Class

Name of Each Exchange on which Registered

**Common Stock, par value \$0.01 per share**

**New York Stock Exchange**

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 1, 2016, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was approximately \$7,985.3 million.

As of October 28, 2016, the number of shares of the registrant's common stock outstanding is 244,754,648.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to the registrant's 2017 Annual Meeting of Stockholders, to be held on February 1, 2017, will be incorporated by reference in this Form 10-K in response to portions of Part III. The definitive proxy statement will be filed with the SEC not later than 120 days after the registrant's fiscal year ended September 30, 2016.

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## Special Note About Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views as to future events and financial performance with respect to, without limitation, conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “outlook,” “aim,” “anticipate,” “are confident,” “estimate,” “expect,” “will be,” “will continue,” “will likely result,” “project,” “intend,” “plan,” “believe,” “see,” “look to” and other words and terms of similar meaning or the negative versions of such words.

Forward-looking statements speak only as of the date made. All statements we make relating to our estimated and projected earnings, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include without limitation: unfavorable economic conditions; natural disasters, global calamities, sports strikes and other adverse incidents; the failure to retain current clients, renew existing client contracts and obtain new client contracts; a determination by clients to reduce their outsourcing or use of preferred vendors; competition in our industries; increased operating costs and obstacles to cost recovery due to the pricing and cancellation terms of our food and support services contracts; the inability to achieve cost savings through our cost reduction efforts; our expansion strategy; the failure to maintain food safety throughout our supply chain, food-borne illness concerns and claims of illness or injury; governmental regulations including those relating to food and beverages, the environment, wage and hour and government contracting; liability associated with noncompliance with applicable law or other governmental regulations; new interpretations of or changes in the enforcement of the government regulatory framework; currency risks and other risks associated with international operations, including Foreign Corrupt Practices Act, U.K. Bribery Act and other anti-corruption law compliance; continued or further unionization of our workforce; liability resulting from our participation in multiemployer defined benefit pension plans; risks associated with suppliers from whom our products are sourced; disruptions to our relationship with, or to the business of, our primary distributor; the inability to hire and retain sufficient qualified personnel or increases in labor costs; healthcare reform legislation; the contract intensive nature of our business, which may lead to client disputes; seasonality; disruptions in the availability of our computer systems or privacy breaches; failure to maintain effective internal controls; our leverage; the inability to generate sufficient cash to service all of our indebtedness; debt agreements that limit our flexibility in operating our business; and other factors set forth herein under the headings Item 1A “Risk Factors,” Item 3 “Legal Proceedings” and Item 7 “Management's Discussion and Analysis of Financial Condition and Results of Operations” and other sections of this Annual Report on Form 10-K, as such factors may be updated from time to time in our other periodic filings with the SEC, which are accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov) and which may be obtained by contacting Aramark’s investor relations department via its website [www.aramark.com](http://www.aramark.com). Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other filings with the SEC. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, us. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, changes in our expectations, or otherwise, except as required by law.




## PART I

### Item 1. Business

#### Overview

Aramark (the “Company,” “we” or “us”) is a leading global provider of food, facilities and uniform services to education, healthcare, business & industry, and sports, leisure & corrections clients. Our core market is North America (composed of the United States and Canada), which is supplemented by an additional 17-country footprint. We hold the #2 position in North America in food and facilities services as well as uniform services based on total sales in fiscal 2016. Internationally, we hold a top 3 position in food and facilities services based on total sales in fiscal 2016 in most countries in which we have significant operations, and are one of only 3 food and facilities competitors with our combination of scale, scope, and global reach. Through our established brand, broad geographic presence and approximately 266,500 employees, we anchor our business in our partnerships with thousands of education, healthcare, business and sports, leisure & corrections clients. Through these partnerships we serve millions of consumers including students, patients, employees, sports fans and guests worldwide.

We operate our business in three reportable segments that share many of the same operating characteristics: Food and Support Services North America (“FSS North America”), Food and Support Services International (“FSS International”) and Uniform and Career Apparel (“Uniform”). Both FSS North America and Uniform have significant scale and hold the #2 position in North America, while in our FSS International segment we hold a top 3 position in most countries in which we have significant operations based on fiscal 2016 total sales. The following chart shows a breakdown of our sales and operating income by our reportable segments:

			
<b>Reportable Segments:</b>	<b><u>FSS North America</u></b>	<b><u>FSS International</u></b>	<b><u>Uniform</u></b>
<b>FY 2016 Sales<sup>(a)</sup>:</b>	\$ 10,122.3	\$ 2,729.8	\$ 1,563.7
<b>FY 2016 Operating Income<sup>(a)</sup>:</b>	\$ 546.4	\$ 129.1	\$ 195.3
<b>Services:</b>	Food, hospitality and facilities	Food, hospitality and facilities	Rental, sale and maintenance of uniform apparel and other items
<b>Sectors:</b>	Business & industry, sports, leisure & corrections, education and healthcare	Business & industry, sports, leisure & corrections, healthcare and education	Business, public institutions, manufacturing, transportation and service industries

(a) Dollars in millions. Operating income excludes \$124.5 million related to corporate expenses. For certain other financial information relating to our segments, see Note 15 to the audited consolidated financial statements.

In fiscal 2016, we generated \$14.4 billion of sales, \$288.2 million of net income and \$746.3 million of operating income.

#### Our History

Since our founding in 1959, we have broadened our service offerings and expanded our client base through a combination of organic growth and successful acquisitions, with the goal of further developing our food, facilities and uniform capabilities, as well as growing our international presence. In 1984, we completed a management buyout, after which our management and employees increased their Company ownership to approximately 90% of our equity capital leading up to our December 2001 public offering. On January 26, 2007, we delisted from the NYSE in conjunction with a going-private transaction executed with investment funds affiliated with Goldman Sachs Capital Partners, CCMP Capital Advisors, J.P. Morgan Partners, Thomas H. Lee Partners, L.P. and Warburg Pincus LLC as well as approximately 250 senior management personnel.

On December 17, 2013, we completed an initial public offering of 41,687,500 shares of our common stock, including 13,687,500 shares of common stock sold by our selling stockholders. We did not receive any of the proceeds from the sale of the shares sold by the selling stockholders and we used our proceeds from the initial public offering, net of costs, to pay down debt. Our common stock began trading on the NYSE under the ticker symbol “ARMK” on December 12, 2013.

## Food and Support Services

Our Food and Support Services segments manage a number of interrelated services-including food, hospitality and facility services-for school districts, colleges & universities, healthcare facilities, businesses, sports, entertainment & recreational venues, conference & convention centers, national & state parks and correctional institutions.

We are the exclusive provider of food and beverage services at most of the locations we serve and are responsible for hiring, training and supervising the majority of the food service personnel in addition to ordering, receiving, preparing and serving food and beverage items sold at those facilities. Our facilities services capabilities are broad, and include plant operations and maintenance, custodial/housekeeping, energy management, clinical equipment maintenance, grounds keeping, and capital project management. In governmental, business, educational and healthcare facilities (for example, offices and industrial plants, schools and universities and hospitals), our clients provide us with a captive client base through their on-site employees, students and patients. At sports, entertainment and recreational facilities, our clients attract patrons to their site, usually for specific events such as sporting events and conventions.

We manage our FSS business in two geographic reportable segments split between our North America and International operations. In fiscal 2016, our FSS North America segment generated \$10,122.3 million in sales, or 70% of our total sales, and our FSS International segment generated \$2,729.8 million in sales, or 19% of our total sales. No individual client represents more than 1% of our total sales, other than, collectively, a number of U.S. government agencies. See Note 15 to the audited consolidated financial statements for information on sales, operating income and total assets for the FSS North America segment and the FSS International segment.

### Clients and Services

Our Food and Support Services segments serve a number of client sectors across 19 countries around the world. Our Food and Support Services operations focus on serving clients in four principal sectors:

Sector	Types of Clients	Food Services	Facilities Services
<b>Education</b>	Colleges and universities Public school districts and systems Private schools	Dining services Catering Food service management Retail operations	Facilities management Custodial services Grounds Energy management Construction management Capital project management
<b>Healthcare</b>	Hospitals Nursing homes	Food and nutrition services Retail operations	Clinical equipment maintenance Environmental services Laundry and linen distribution Plant operations Energy management Strategic and technical services Supply chain management Purchasing Central transportation
<b>Business &amp; Industry</b>	Office parks and buildings Manufacturing plants Corporate cafeterias Mining operations Oil & gas drilling operations	Dining services On-site restaurants Catering Convenience stores Executive dining rooms Coffee and vending Drinking water filtration	Housekeeping management Plant operations/maintenance Energy management Groundskeeping Landscaping Transportation Capital program management Commissioning services Building operations consulting
<b>Sports, Leisure &amp; Corrections</b>	Professional and collegiate stadiums and arenas Concert venues National and state parks Convention and civic centers Correctional facilities	Concessions Banquet and catering Retail and merchandise sales Food and nutrition services Premium and restaurant	Recreational and lodging services Commissary services Laundry and linen management Property room management Housekeeping management Facility management

**Education.** Within the Education sector we serve Higher Education and K-12 clients. We deliver a wide range of food and facility services at more than 1,500 colleges, universities, school systems & districts and private schools. We offer our education clients a single source provider for managed service solutions, including dining, catering, food service management, convenience-oriented retail operations, grounds & facilities maintenance, custodial, energy management, construction management, and capital project management.

**Healthcare.** We provide a wide range of non-clinical support services to approximately 1,200 healthcare clients and more than 2,000 facilities across our global footprint. We offer healthcare organizations a single source provider for managed service solutions, which include food services such as patient food and nutrition services and retail food services, and facilities services such as clinical equipment maintenance, environmental services, laundry & linen distribution, plant operations, energy management, strategic/technical services, supply chain management, purchasing and central transportation.

**Business & Industry.** We provide a comprehensive range of business dining services, including on-site restaurants, catering, convenience stores and executive dining.



We also provide beverage and vending services to business & industry clients at thousands of locations. Our service and product offerings include a full range of coffee offerings, “grab and go” food operations, convenience stores, micromarkets and a proprietary drinking water filtration system.

We also offer a variety of facility management services to business & industry clients. These services include the management of housekeeping, plant operations and maintenance, energy management, laundry and linen, groundskeeping, landscaping, transportation, capital program management and commissioning services and other facility consulting services relating to building operations.

We also offer remote services which include facility and business support services primarily for mining and oil operations.

*Sports, Leisure & Corrections.* We administer concessions, banquet and catering services, retail services and merchandise sales, recreational and lodging services and facility management services at sports, entertainment and recreational facilities. We serve 146 professional (including minor league affiliates) and college sports teams, including 39 teams in Major League Baseball, the National Basketball Association, the National Football League and the National Hockey League. We also serve 22 convention and civic centers, 19 national and state parks and other resort operations, plus other popular tourist attractions in the United States and Canada. Additionally, we provide correctional food services, operate commissaries, laundry facilities and property rooms and provide food and facilities management services for parks.

Our FSS International segment provides a similar range of services as those provided to our FSS North America segment clients and operates in all of our sectors. We have operations in 17 countries outside the United States and Canada. Our largest international operations are in Chile, China, Germany, Ireland and the United Kingdom, and in each of these countries we are one of the leading food and/or facilities service providers. We also have a strong presence in Japan through our 50% ownership of AIM Services Co., Ltd., which is a leader in providing outsourced food services in Japan. In addition to the core Business & Industry sector, our FSS International segment serves many soccer stadiums across Europe, and numerous educational institutions, correctional institutions and convention centers globally. There are particular risks attendant with our international operations. Please see Item 1A. “Risk Factors.”

### ***Purchasing***

We negotiate the pricing and other terms for the majority of our purchases of food and related products in the United States and Canada directly with national manufacturers. We purchase these products and other items through Sysco Corporation and other distributors. We have a master distribution agreement with Sysco that covers a significant amount of our purchases of these products and items in the United States and another distribution agreement with Sysco that covers our purchases of these products in Canada. Our distributors are responsible for tracking our orders and delivering products to our specific locations. Due to our ability to negotiate favorable terms with our suppliers, we earn vendor consideration, including discounts, rebates and other applicable credits. See “Types of Contracts” below. Our location managers also purchase a number of items, including bread, dairy products and alcoholic beverages from local suppliers, and we purchase certain items directly from manufacturers.

Our relationship with Sysco is important to our operations—we have had distribution agreements in place for more than 20 years. In fiscal 2016, Sysco distributed approximately 52% of our food and non-food products in the United States and Canada, and we believe that we are one of their largest clients. However, we believe that the products acquired through Sysco can, in significant cases, be purchased through other sources and that termination of our relationship with them or any disruption of their business would cause only short-term disruptions to our operations.

Our agreements with our distributors are generally for an indefinite term, subject to termination by either party after a notice period, which is generally 60 to 120 days. The pricing and other financial terms of these agreements are renegotiated periodically. Our current agreement with Sysco is terminable by either party with 180 days notice.

In our international segment, our approach to purchasing is substantially similar. On a country-by-country basis, we negotiate pricing and other terms for a majority of our purchases of food and related products with manufacturers operating in the applicable country, and we purchase these products and other items through distributors in that country. Due to our ability to negotiate favorable terms with our suppliers, we receive vendor consideration, including rebates, allowances and volume discounts. See “Types of Contracts” below. As in North America, our location managers also purchase a number of items, including bread, dairy products and alcoholic beverages from local suppliers, and we purchase certain items directly from manufacturers. Our agreements with our distributors are subject to termination by either party after a notice period, which is generally 60 days. The pricing and other financial terms of these agreements are renegotiated periodically.

Our relationship with distributors in the countries outside the United States and Canada is important to our operations, but from an overall volume standpoint, no distributor outside the United States and Canada distributes a significant volume of products. We believe that products we acquire from our distributors in countries outside the United States and Canada can, in significant

cases, be purchased from other sources, and that the termination of our relationships with our distributors outside the United States and Canada, or the disruption of their business operations, would cause only short-term disruption to our operations.

### ***Sales and Marketing***

We maintain selling and marketing excellence by focusing on the execution of a common selling process as well as optimal resource allocation and deployment. Our common selling process ensures that we sell our services to our clients in the same way, regardless of the sector in which such client is located. We have developed consistent tools and training that are used across all of our businesses to train our employees on this selling process. Our business development functions are aligned directly with the sectors and services in which we have leadership positions, and we combine our targeted business development strategies with our strong client relationships to deliver differentiated and innovative solutions. We target our business development by aligning our sales efforts directly with the sectors and services in which we operate. We identify individuals at various levels in our organization to match up with individuals in a variety of roles at both existing and potential clients. We believe that these connections throughout various levels within the client organization allow us to develop strong relationships with the client and gain a better understanding of the clients' requirements. Based on the knowledge of the clients' requirements and the sector, our goal is to develop solutions for the client that are unique and that help to differentiate us from our competitors.

### ***Types of Contracts***

We use contracts that allow us to manage our potential upside and downside risk in connection with our various business interactions. Our contracts may require that consent be obtained in order to raise prices on the food, beverages and merchandise we sell within a particular facility. The contracts that we enter into vary in length. Contracts generally are for fixed terms, many of which are in excess of one year. Contracts for education and sports and leisure services typically require larger capital investments, but have correspondingly longer and fixed terms, usually from five to fifteen years.

When we enter into new contracts, or extend or renew existing contracts, particularly those for stadiums, arenas, convention centers, colleges and universities and business dining accounts, we are sometimes contractually required to make some form of up-front or future capital investment to help finance improvement or renovation, typically to the food and beverage facilities of the venue from which we operate. Contractually required capital expenditures typically take the form of investment in leasehold improvements, food service equipment and/or grants to clients. At the end of the contract term or upon 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 investments.

Food and Support Services contracts are generally obtained and renewed either through a competitive process or on a negotiated basis, although contracts in the public sector are frequently awarded on a competitive bid basis, as required by applicable law. Contracts for Food and Support Services with school districts and correctional clients are typically awarded through a formal bid process. Contracts in the private sector may be entered into without a formal bid process, but we and other companies will often compete in the process leading up to the award or the completion of contract negotiations. Typically, after the award, final contract terms are negotiated and agreed upon.

We use two general contract types in our Food and Support Services segments: profit and loss contracts and client interest contracts. These contracts differ in their provision for the amount of financial risk that we bear and, accordingly, the potential compensation, profits or fees we may receive. Commission rates and management fees, if any, may vary significantly among contracts based upon various factors, including the type of facility involved, the term of the contract, the services we provide and the amount of capital we invest.

*Profit and Loss Contracts.* Under profit and loss contracts, we receive all of the revenue from, and bear all of the expenses of, the provision of our services at a client location. Expenses under profit and loss contracts sometimes include commissions paid to the client, typically calculated as a fixed or variable percentage of various categories of sales, and, in some cases, require minimum guaranteed commissions. We benefit from greater upside potential with a profit and loss contract, although we do consequently bear greater downside risk than with a client interest contract. For fiscal 2016, approximately 70% of our Food and Support Services sales were derived from profit and loss contracts.

*Client Interest Contracts.* Client interest contracts include management fee contracts, under which our clients reimburse our operating costs and pay us a management fee, which may be calculated as a fixed dollar amount or a percentage of sales or operating costs. Some management fee contracts entitle us to receive incentive fees based upon our performance under the contract, as measured by factors such as sales, operating costs and client satisfaction surveys. Client interest contracts also include limited profit and loss contracts, under which we receive a percentage of any profits earned from the provision of our services at the facility and we generally receive no payments if there are losses. As discussed above under "Purchasing," we earn vendor consideration, including discounts, rebates and other applicable credits that we typically retain except in those cases where the contract and/or applicable law requires us to credit these to our clients. For our client interest contracts, both



our upside potential and downside risk are reduced compared to our profit and loss contracts. For fiscal 2016, approximately 30% of our Food and Support Services sales were derived from client interest contracts.

### ***Competition***

There is significant competition in the Food and Support Services business from local, regional, national and international companies, as well as from the businesses, healthcare institutions, colleges and universities, correctional facilities, school districts and public assembly facilities that decide to provide these services themselves. Institutions may decide to operate their own services or outsource to one of our competitors following the expiration or termination of contracts with us. Clients do not necessarily choose the lowest cost provider, and tend to place a premium on the total value proposition offered. In our FSS North America segment, our external competitors include other multi-regional food and support service providers, such as Centerplate, Inc., Compass Group plc, Delaware North Companies Inc. and Sodexo SA. Internationally, our external food service and support service competitors include Compass Group plc, Elior SA, International Service System A/S and Sodexo SA. We also face competition from many regional and local service providers.

We believe that the following competitive factors are the principal drivers of our success:

- quality and breadth of services and management talent;
- innovation;
- reputation within the industry;
- pricing; and
- financial strength and stability.

### ***Seasonality***

Our sales and operating results have varied, and we expect them to continue to vary, from quarter to quarter as a result of different factors. Within our FSS North America segment, historically there has been a lower level of activity during our first and second fiscal quarters in operations that provide services to sports and leisure clients. This lower level of activity historically has been partially offset during our first and second fiscal quarters by the increased activity in our educational operations. Conversely, historically there has been a significant increase in the provision of services to sports and leisure clients during our third and fourth fiscal quarters, which is partially offset by the effect of summer recess at colleges, universities and schools.

### ***Uniform***

Our Uniform segment provides uniforms and other garments and work clothes and ancillary items such as mats and shop towels in the United States, Puerto Rico, Canada and through a joint venture in Japan. We hold the #2 position in the North America uniform services market. We operate over 2,600 routes, giving us a broad reach to service our clients' needs.

Clients use our uniforms to meet a variety of needs, including:

- establishing corporate identity and brand awareness;
- projecting a professional image;
- protecting workers—work clothes can help protect workers from difficult environments such as heavy soils, heat, flame or chemicals; and
- protecting products—uniforms can help protect products against contamination in the food, pharmaceutical, electronics, health care and automotive industries.

We provide a full service employee uniform solution, including design, sourcing and manufacturing, delivery, cleaning and maintenance. We rent uniforms, work clothing, outerwear, particulate-free garments and non-garment items and related services, including industrial towels, floor mats, mops, linen products, and paper products to businesses in a wide range of industries, including manufacturing, food services, automotive, healthcare, construction, utilities, repair and maintenance services, restaurant and hospitality. In fiscal 2016, our Uniform segment generated \$1,563.7 million in sales, or 11% of our total sales. See Note 15 to the audited consolidated financial statements for information on sales, operating income and total assets for the Uniform segment.

### ***Clients and Services***

We serve businesses of all sizes in many different industries. We have a diverse client base from over 200 service location and distribution centers across the United States and a service center in Ontario, Canada. None of our clients individually represents

a material portion of our sales. We typically visit our clients' sites weekly, delivering clean, finished uniforms and, at the same time, removing the soiled uniforms or other items for cleaning, repair or replacement. We also offer products for direct sale.

Our cleanroom service offers advanced static dissipative garments, barrier apparel, sterile garments and cleanroom application accessories for clients with contamination-free operations in the technology, healthcare and pharmaceutical industries.

We conduct our direct marketing business through three primary brands - WearGuard, Crest and Aramark. We design, source or manufacture and distribute distinctive image apparel to workers in a wide variety of industries through the internet at [www.shoparamark.com](http://www.shoparamark.com), dedicated sales representatives and telemarketing sales channels. We customize and embroider personalized uniforms and logos for clients through an extensive computer assisted design center and distribute work clothing, outerwear, business casual apparel and footwear throughout the United States, Puerto Rico and Canada.

### ***Operations***

We operate our uniform rental business as a network of 85 laundry plants and 172 satellite plants and depots supporting over 2,600 pick-up and delivery routes. We operate a fleet of service vehicles that pick up and deliver uniforms for cleaning and maintenance. We conduct our direct marketing activities principally from our facilities in Salem, Virginia; Norwell and Rockland, Massachusetts; and Reno, Nevada. We market our own brands of apparel and offer a variety of customized personalization options such as embroidery and logos. We also source uniforms and other products to our specifications from a number of domestic and international suppliers and also manufacture a significant portion of our uniform requirements. We purchase uniform and textile products as well as equipment and supplies from domestic and international suppliers. The loss of any one supplier would not have a significant impact on us. We also operate two cutting and sewing plants in Mexico, which satisfy a substantial amount of our standard uniform inventory needs.

### ***Sales and Marketing***

Our sales representatives and route sales drivers are responsible for selling our services to current and potential clients and developing new accounts through the use of an extensive, proprietary database of pre-screened and qualified business prospects. We build our brand identity through local advertising, promotional initiatives and through our distinctive service vehicles. Our clients frequently come to us through client referrals, either from our uniform rental business or from our other service sectors. Our customer service representatives generally interact on a weekly basis with their clients, while our support personnel are charged with expeditiously handling client requirements regarding the outfitting of new client employees and other customer service needs.

### ***Types of Contracts***

We typically serve our rental clients under written service contracts for an initial term of three to five years. While clients are not required to make an up-front investment for their uniforms, in the case of nonstandard uniforms and certain specialty programs, clients typically agree to reimburse us for our costs if they terminate their agreement early. With the exception of certain governmental bid business, most of our direct marketing business is conducted under invoice arrangement with repeat clients.

### ***Competition***

Although the United States rental industry has experienced some consolidation, there is significant competition in all the areas that we serve, and such competition varies across geographies. Although many competitors are smaller local and regional firms, we also face competition from other large national firms such as Cintas Corporation, G&K Services, Inc. and UniFirst Corporation. We believe that the primary competitive factors that affect our operations are quality, service, design, consistency of product, and distribution capability, particularly for large multi-location clients, and price. We believe that our ability to compete effectively is enhanced by the quality and breadth of our product line as well as our nationwide reach.

### ***Employees of Aramark***

As of September 30, 2016, we had a total of approximately 266,500 employees, including seasonal employees, consisting of approximately 168,000 full-time and approximately 98,500 part-time employees in our three business segments. The number of part-time employees varies significantly from time to time during the year due to seasonal and other operating requirements. We generally experience our highest level of employment during the fourth fiscal quarter. The approximate number of employees by segment is as follows: FSS North America: 164,000; FSS International: 88,500; Uniform: 13,500. In addition, the Aramark corporate staff is approximately 500 employees. Approximately 40,000 employees in the United States are covered by collective bargaining agreements. We have not experienced any material interruptions of operations due to disputes with our employees and consider our relations with our employees to be satisfactory.



## Governmental Regulation

Our business is subject to various federal, state, local and international laws and regulations, in areas such as environmental, labor, employment, immigration, health and safety laws and liquor licensing and dram shop matters. In addition, our facilities and products are subject to periodic inspection by federal, state, local and international authorities. We have established, and periodically update, various internal controls and procedures designed to maintain compliance with these laws and regulations. Our compliance programs are subject to legislative changes, or changes in regulatory interpretation, implementation or enforcement. From time to time both federal and state government agencies have conducted audits of certain of our practices as part of routine investigations of providers of services under government contracts, or otherwise. Like others in our business, we receive requests for information from governmental agencies in connection with these audits. If we fail to comply with applicable laws, we may be subject to investigations, criminal sanctions or civil remedies, including fines, penalties, damages, reimbursement, injunctions, seizures, disgorgements, debarments from government contracts or loss of liquor licenses.

Our operations are subject to various laws and regulations, including, but not limited to, those governing:

- alcohol licensing and service;
- collection of sales and other taxes;
- minimum wage, overtime, classification, wage payment and employment discrimination;
- immigration;
- governmentally funded entitlement programs and cost and accounting principles;
- false claims, whistleblowers and consumer protection;
- environmental protection;
- food safety, sanitation, labeling and human health and safety;
- customs and import and export controls;
- the Foreign Corrupt Practices Act, the U.K. Bribery Act and other anti-corruption laws;
- antitrust, competition, procurement and lobbying;
- minority, women and disadvantaged business enterprise statutes;
- motor carrier safety; and
- privacy and data security.

The laws and regulations relating to each of our food and support services segments are numerous and complex. There are a variety of laws and regulations at various governmental levels relating to the handling, preparation and serving of food, including in some cases requirements relating to the temperature of food, the cleanliness of food production facilities, and the hygiene of food-handling personnel, which are enforced primarily at the local public health department level. While we attempt to comply with applicable laws and regulations, there can be no assurance that we are in full compliance at all times with all of the applicable laws and regulations or that we will be able to comply with any future laws and regulations. Furthermore, legislation and regulatory attention to food safety is very high. Additional or amended regulations in this area may significantly increase the cost of compliance or expose us to liability.

In addition, various government agencies impose nutritional guidelines and other requirements on us at certain of the healthcare, education and corrections facilities we serve. We may also be subject to laws and regulations that limit or restrict the use of trans fats in the food we serve or other requirements relating to ingredient or nutrient labeling. There can be no assurance that legislation, or changes in regulatory implementation or interpretation of government regulations, would not limit our activities in the future or significantly increase the cost of regulatory compliance.

Because we serve alcoholic beverages at many sports, entertainment and recreational facilities, including convention centers and national and state parks, we also hold liquor licenses incidental to our food service operations and are subject to the liquor license requirements of the jurisdictions in which we hold a liquor license. As of September 30, 2016, our subsidiaries held liquor licenses in 45 states and the District of Columbia, four Canadian provinces and certain other countries. Typically, liquor licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of our operations, including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling, and storage, dispensing and service of alcoholic beverages. We have not encountered any material problems relating to liquor licenses to date. The failure to receive or retain a liquor license in a particular location could adversely affect our ability to obtain such a license elsewhere. Some of our contracts require us to pay liquidated damages during any period in which the liquor license for the facility is suspended as a result of our

actions, and most contracts are subject to termination if the liquor license for the facility is lost as a result of our actions. Our service of alcoholic beverages is also subject to alcoholic beverage service laws, commonly called dram shop statutes. Dram shop statutes generally prohibit serving alcoholic beverages to certain persons such as minors or visibly intoxicated persons. If we violate dram shop laws, we may be liable to the patron and/or to third parties for the acts of the visibly intoxicated patron. We sponsor regular training programs designed to minimize the likelihood of such a situation and to take advantage of certain safe harbors and affirmative defenses enacted for the benefit of alcoholic beverage service providers. However, we cannot guarantee that intoxicated or minor patrons will not be served or that liability for their acts will not be imposed on us.

Our uniform rental business and our food and support service business are subject to various environmental protection laws and regulations, including the U.S. Federal Clean Water Act, Clean Air Act, Resource Conservation and Recovery Act, Comprehensive Environmental Response, Compensation, and Liability Act and similar local, state, federal and international laws and regulations governing the use, management, shipping and disposal of chemicals and hazardous materials. In particular, industrial laundries use certain detergents and cleaning chemicals to launder garments and other merchandise. The residues from such detergents and chemicals and residues from soiled garments and other merchandise laundered at our facilities may result in potential discharges to air and to water (through sanitary sewer systems and publicly owned treatment works) and may be contained in waste generated by our wastewater treatment systems. Our industrial laundries are subject to certain volume and chemical air and water pollution discharge limits, monitoring, permitting and recordkeeping requirements. We own or operate aboveground and underground storage tank systems at some locations to store petroleum products for use in our or our clients' operations. Certain of these storage tank systems also are subject to performance standards, periodic monitoring and recordkeeping requirements. We also may use and manage chemicals and hazardous materials in our operations from time to time. We are mindful of the environmental concerns surrounding the use, management, shipping and disposal of these chemicals and hazardous materials, and have taken and continue to take measures to comply with environmental protection laws and regulations. Given the regulated nature of some of our operations, we could face penalties and fines for non-compliance. In the past, we have settled, or contributed to the settlement of, actions or claims relating to the management of underground storage tanks and the handling and disposal of chemicals or hazardous materials, either on or off-site. We may, in the future, be required to expend material amounts to rectify the consequences of any such events. Under environmental laws, we may be liable for the costs of removal or remediation of certain hazardous materials located on or in or migrating from our owned or leased property or our clients' properties, as well as related costs of investigation and property damage. Such laws may impose liability without regard to our fault, knowledge or responsibility for the presence of such hazardous substances. We may not know whether our clients' properties or our acquired or leased properties have been operated in compliance with environmental laws and regulations or that our future uses or conditions will not result in the imposition of liability upon us under such laws or expose us to third-party actions such as tort suits.

We do not anticipate any capital expenditures for environmental remediation that would have a material effect on our financial condition.

### **Intellectual Property**

We have the patents, trademarks, trade names and licenses that are necessary for the operation of our business. Other than the Aramark brand, which includes our corporate starperson logo design (both old and new) and the Aramark word mark (our name), we do not consider our patents, trademarks, trade names and licenses to be material to the operation of our business in any material respect.

### **Available Information**

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission (the "SEC"). These filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room at 100 F. Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Our principal Internet address is [www.aramark.com](http://www.aramark.com). We make available free of charge on [www.aramark.com](http://www.aramark.com) our annual, quarterly and current reports, and amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Our Business Conduct Policy includes a code of ethics for our principal executive officer, our principal financial officer and our principal accounting officer and applies to all of our employees and non-employee directors. Our Business Conduct Policy is available on the Investor Relations section of our website at [www.aramark.com](http://www.aramark.com) and is available in print to any person who requests it by writing or telephoning us at the address or telephone number set forth below.



You may request a copy of our SEC filings (excluding exhibits) and our Business Conduct Policy at no cost by writing or telephoning us at the following address or telephone number:

Aramark  
1101 Market Street  
Philadelphia, PA 19107  
Attention: Corporate Secretary  
Telephone: (215) 238-3000

The references to our web site and the SEC's web site are intended to be inactive textual references only and the contents of those websites are not incorporated by reference herein.

## **Item 1A. Risk Factors**

### **Risks related to our business**

#### ***Unfavorable economic conditions have, and in the future could, adversely affect our results of operations and financial condition.***

In the past, national and international economic downturns have reduced demand for our services and any such downturns in the future could reduce demand for our services in each of our reportable segments, resulting in the loss of business or increased pressure to contract for business on less favorable terms than our generally preferred terms. Economic hardship among our client base can also impact our business. For example, during the most recent period of economic distress, certain of our businesses were negatively affected by reduced employment levels at our clients' locations and declining levels of business and consumer spending. In addition, insolvency experienced by clients, especially larger clients, has in the past made it difficult, and in the future could, make it difficult, for us to collect amounts we are owed and could result in the voiding of existing contracts. Similarly, financial distress or insolvency, if experienced by our key vendors and service providers such as insurance carriers, could significantly increase our costs.

The portion of our food and support services business that provides services in public facilities such as convention centers and tourist and recreational attractions is particularly sensitive to an economic downturn, as expenditures to take vacations or hold or attend conventions are funded to a partial or total extent by discretionary income. A decrease in such discretionary income on the part of potential attendees at our clients' facilities has in the past resulted, and in the future could result, in a reduction in our sales. Further, because our exposure to the ultimate consumer of what we provide is limited by our dependence on our clients to attract those consumers to their facilities and events, our ability to respond to such a reduction in attendance, and therefore our sales, is limited. There are many factors that could reduce the numbers of events in a facility or attendance at an event, including labor disruptions involving sports leagues, poor performance by the teams playing in a facility, number of playoff games, inclement weather and adverse economic conditions which would adversely affect sales and profits.

#### ***Natural disasters, global calamities, sports strikes and other adverse incidents could adversely affect our sales and operating results.***

Natural disasters, including hurricanes and earthquakes, or global calamities, such as an Ebola outbreak or a flu pandemic, have, and in the future could, affect our sales and operating results. In the past, we experienced lost and closed client locations, business disruptions and delays, the loss of inventory and other assets, and the effect of the temporary conversion of a number of our client locations to provide food and shelter to those left homeless by storms. In addition, any terrorist attacks, particularly against venues that we serve, and the national and global military, diplomatic and financial response to such attacks or other threats, also may adversely affect our sales and operating results. Sports strikes, particularly those that are for an extended time period, can reduce our sales and have an adverse impact on our results of operations. For example, in 2012, the collective bargaining agreement for the players in the National Hockey League expired. As a result, the 2012/2013 season was significantly shortened and our sales and profits were negatively impacted. Any decrease in the number of games played would mean a loss of sales and reduced profits at the venues we service.

#### ***Our failure to retain our current clients, renew our existing client contracts on comparable terms and obtain new client contracts could adversely affect our business.***

Our success depends on our ability to retain our current clients, renew our existing client contracts and obtain new business. 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. There can be no assurance that we will be able to obtain new business, renew existing client contracts at the same or higher levels of pricing or that our current clients will not turn to competitors, cease operations, elect to self-operate or terminate contracts with us. In addition, consolidation by our clients in the industries we serve could result in our losing business if the combined entity chooses a different provider. The failure to renew a significant number of our existing contracts would have a material adverse effect on our business and results of operations and the failure to obtain new business could have an adverse impact on our growth and financial results.

#### ***We may be adversely affected if clients reduce their outsourcing or use of preferred vendors.***

Our business and growth strategies depend in large part on the continuation of a current trend toward outsourcing services. Clients will outsource if they perceive that outsourcing may provide quality services at a lower overall cost and permit them to focus on their core business activities. We cannot be certain that this trend will continue or not be reversed or that clients 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 clients have occasionally opposed the outsourcing trend to the extent that they believed that current union jobs for their memberships might be lost. In these cases,



unions typically seek to prevent public sector entities from outsourcing and if that fails, ensure that jobs that are outsourced continue to be unionized, which can reduce our pricing and operational flexibility with respect to such businesses.

We have also identified a trend among some of our clients 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. Unfavorable developments with respect to either outsourcing or the use of preferred vendors could have a material adverse effect on our business and results of operations.

***Competition in our industries 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, many of which have substantial financial resources. Our ability to successfully compete depends on our ability to provide quality services at a reasonable price and to provide value to our clients and consumers. Certain of our competitors have been and may in the future be willing to underbid us or accept a lower profit margin or expend more capital in order to obtain or retain business. Also, certain regional and local service providers may be better established than we are within a specific geographic region. In addition, existing or potential clients may elect to self-operate their food and support services, eliminating the opportunity for us to serve them or compete for the account. While we have a significant international presence, certain of our competitors have more extensive portfolios of services and a broader geographic footprint than we do. Therefore, we may be placed at a competitive disadvantage for clients who require multiservice or multinational bids.

We have a number of major national competitors in the uniform rental industry with significant financial resources. In addition, there are regional and local uniform suppliers whom we believe have strong client loyalty. While most clients focus primarily on quality of service, uniform rental also is a price-sensitive service and if existing or future competitors seek to gain clients or accounts by reducing prices, we may be required to lower prices, which would reduce our sales and profits. The uniform rental business requires investment capital for growth. Failure to maintain capital investment in this business would put us at a competitive disadvantage. In addition, due to competition in our uniform rental business, it has become increasingly important for us to source garments and other products overseas, particularly from Asia. To the extent we are not able to effectively source such products from Asia and gain the related cost savings, we may be at a further disadvantage in relation to some of our competitors.

***Increased operating costs and obstacles to cost recovery due to the pricing and cancellation terms of our food and support services contracts may constrain our ability to make a profit.***

Our profitability can be adversely affected to the extent we are faced with cost increases for food, wages, other labor related expenses (including workers' compensation, state unemployment insurance and federal or state mandated health benefits and other healthcare costs), insurance, fuel, utilities, piece goods, clothing and equipment, especially to the extent we are unable to recover such increased costs through increases in the prices for our products and services, due to one or more of general economic conditions, competitive conditions or contractual provisions in our client contracts. For example, when federal, state, foreign or local minimum wage rates increase, we may have to increase the wages of both minimum wage employees and employees whose wages are above the minimum wage. We may also face increased operating costs if federal, state or local laws and regulations regarding the classification of employees and/or their eligibility for overtime changes. Oil and natural gas prices have fluctuated significantly in the last several years. Substantial increases in the cost of fuel and utilities have historically resulted in substantial cost increases in our uniform rental business, and to a lesser extent in our food and support services segments. From time to time we have experienced increases in our food costs. While we believe a portion of these increases were attributable to fuel prices, we believe the increases also resulted from rising global food demand and the increased production of biofuels such as ethanol. In addition, food prices can fluctuate as a result of temporary changes in supply, including as a result of incidences of severe weather such as droughts, heavy rains and late freezes. We have two main types of contract in our food and facilities business: profit and loss contracts in which we bear all of the expenses of the contract but gain the benefit of the sales, and client interest contracts in which our clients share some or all of the expenses and gain some or all of the sales. Approximately 70% of our food and support services sales in fiscal 2016 are from profit and loss contracts under which we have limited ability to pass on cost increases to our clients. Therefore, in many cases, we will have to absorb any cost increases, which may adversely impact our operating results.

The amount of risk that we bear and our profit potential vary depending on the type of contract under which we provide food and support services. We may be unable to fully recover costs on contracts that limit our ability to increase prices. In addition, we provide many of our services under contracts of indefinite term, which are subject to termination on short notice by either party without cause. Some of our profit and loss and client interest contracts contain minimum guaranteed remittances to our client regardless of our sales or profit at the facility. If sales do not exceed costs under a contract that contains minimum guaranteed commissions, we will bear any losses which are incurred, as well as the guaranteed commission. Generally, our contracts also limit our ability to raise prices on the food, beverages and merchandise we sell within a particular facility without

the client's consent. In addition, some of our contracts exclude certain events or products from the scope of the contract, or give the client the right to modify the terms under which we may operate at certain events. The payment of guaranteed commissions or other guaranteed amounts to a client under a profit and loss contract that is not profitable, the refusal by individual clients to permit the sale of some products at their venues, the imposition by clients of limits on prices which are not economically feasible for us, or decisions by clients to curtail their use of the services we provide could adversely affect our sales and results of operations. For example, during the most recent economic downturn, certain of our business & industry clients curtailed their employees' use of catering, which had a negative effect on our sales and profits.

***Our inability to achieve cost savings through our cost reduction efforts could impact our results of operations.***

The achievement of the goals we set in our plans and our future financial performance is dependent, in part, on our efforts to reduce our cost structure through various cost reduction initiatives. Successful execution of our cost reduction initiatives is not assured and there are several obstacles to success, including our ability to enable the information technology and business process required for these efforts, as well as the timing of the transition to our business services center. In addition, there can be no assurance that our efforts, if properly executed, will result in our desired outcome of improved financial performance.

***Our expansion strategy involves risks.***

We may seek to acquire companies or interests in companies or enter into joint ventures that complement our business, and our inability to complete acquisitions, integrate acquired companies successfully or enter into joint ventures may render us less competitive. At any given time, we may be evaluating one or more acquisitions or engaging in acquisition negotiations. We cannot be sure that we will be able to continue to identify acquisition candidates or joint venture partners on commercially reasonable terms or at all. If we make acquisitions, we also cannot be sure that any benefits anticipated from the acquisitions will actually be realized. Likewise, we cannot be sure that we will be able to obtain necessary financing for acquisitions. Such financing could be restricted by the terms of our debt agreements or it could be more expensive than our current debt. The amount of such debt financing for acquisitions could be significant and the terms of such debt instruments could be more restrictive than our current covenants. In addition, our ability to control the planning and operations of our joint ventures and other less than majority-owned affiliates may be subject to numerous restrictions imposed by the joint venture agreements and majority stockholders. Our joint venture partners may also have interests which differ from ours.

The process of integrating acquired operations into our existing operations may result in operating, contract and supply chain difficulties, such as the failure to retain clients or management personnel and problems coordinating technology and supply chain arrangements. Also, in connection with any acquisition, we could fail to discover liabilities of the acquired company for which we may be responsible as a successor owner or operator in spite of any investigation we make prior to the acquisition. In addition, labor laws in certain countries may require us to retain more employees than would otherwise be optimal from entities we acquire. Such difficulties may divert significant financial, operational and managerial resources from our existing operations, and make it more difficult to achieve our operating and strategic objectives. The diversion of management attention, particularly in a difficult operating environment, may affect our sales. Similarly, our business depends on effective information technology systems and implementation delays or poor execution of the integration of different information technology systems could disrupt our operations and increase costs. Possible future acquisitions could result in the incurrence of additional debt and related interest expense or contingent liabilities and amortization expenses related to intangible assets, which could have a material adverse effect on our financial condition, operating results and/or cash flow. In addition, goodwill and other intangible assets resulting from business combinations represents a significant portion of our assets. If the goodwill or other intangible assets were deemed to be impaired, we would need to take a charge to earnings to write down these assets to its fair value.

***A failure to maintain food safety throughout our supply chain and food-borne illness concerns may result in reputational harm and claims of illness or injury that could adversely affect us.***

Food safety is a top priority for us and we dedicate substantial resources to ensuring that our consumers enjoy safe, quality food products. 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. Because food safety issues could be experienced at the source or by food suppliers or distributors, food safety could, in part, be out of our control. Regardless of the source or cause, any report of food-borne illness or other food safety issues such as food tampering or contamination at one of our locations could adversely impact our reputation, hindering our ability to renew contracts on favorable terms or to obtain new business, and have a negative impact on our sales. Even instances of food-borne illness, food tampering or contamination at a location served by one of our competitors could result in negative publicity regarding the food service industry generally and could negatively impact our sales. Future food safety issues may also from time to time disrupt our business. In addition, product recalls or health concerns associated with food contamination may also increase our raw materials costs.

***Laws and governmental regulations relating to food and beverages may subject us to significant liability.***

The laws and regulations relating to each of our food and support services segments are numerous and complex. A variety of laws and regulations at various governmental levels relating to the handling, preparation and serving of food (including, in some cases, requirements relating to the temperature of food), and the cleanliness of food production facilities and the hygiene of food-handling personnel are enforced primarily at the local public health department level. There can be no assurance that we are in full compliance with all applicable laws and regulations at all times or that we will be able to comply with any future laws and regulations. Furthermore, legislation and regulatory attention to food safety is very high. Additional or amended laws or regulations in this area may significantly increase the cost of compliance or expose us to liabilities.

We serve alcoholic beverages at many facilities, and must comply with applicable licensing laws, as well as state and local service laws, commonly called dram shop statutes. Dram shop statutes generally prohibit serving alcoholic beverages to certain persons, such as an individual who is visibly intoxicated or a minor. If we violate dram shop laws, we may be liable to the patron and/or third parties for the acts of the patron. Although we sponsor regular training programs designed to minimize the likelihood of such a situation and to take advantage of certain safe harbors and affirmative defenses established for the benefit of alcoholic beverages service providers, we cannot guarantee that visibly intoxicated or minor patrons will not be served or that liability for their acts will not be imposed on us. There can be no assurance that additional laws or regulations in this area would not limit our activities in the future or significantly increase the cost of regulatory compliance. We must also obtain and comply with the terms of licenses in order to sell alcoholic beverages in the states in which we serve alcoholic beverages. Some of our contracts require us to pay liquidated damages during any period in which the liquor license for the facility is suspended as a result of our actions, and most contracts are subject to termination if the liquor license for the facility is lost as a result of our actions.

***If we fail to comply with requirements imposed by applicable law or other governmental regulations, we could become subject to lawsuits, investigations and other liabilities and restrictions on our operations that could significantly and adversely affect our business.***

We are subject to governmental regulation at the federal, state, international, national, provincial and local levels in many areas of our business, such as employment laws, wage and hour laws, discrimination laws, immigration laws, human health and safety laws, import and export controls and customs laws, environmental laws, false claims or whistleblower statutes, minority, women and disadvantaged business enterprise statutes, tax codes, antitrust and competition laws, consumer protection statutes, procurement regulations, intellectual property laws, food safety, labeling and sanitation laws, governmentally funded entitlement programs and cost and accounting principles, the Foreign Corrupt Practices Act, the U.K. Bribery Act, other anti-corruption laws, lobbying laws, motor carrier safety laws, data privacy and security laws and alcohol licensing and service laws.

From time to time, governmental agencies have conducted reviews and audits of certain of our practices as part of routine investigations of providers of services under government contracts, or otherwise. Like others in our business, we also receive requests for information from government agencies in connection with these reviews and audits. While we attempt to comply with all applicable laws and regulations, there can be no assurance that we are in full compliance with all applicable laws and regulations or interpretations of these laws and regulations at all times or that we will be able to comply with any future laws, regulations or interpretations of these laws and regulations.

If we fail to comply with applicable laws and regulations, including those referred to above, we may be subject to investigations, criminal sanctions or civil remedies, including fines, penalties, damages, reimbursement, injunctions, seizures, disgorgements or debarments from government contracts or the loss of liquor licenses. The cost of compliance or the consequences of non-compliance, including debarments, could have a material adverse effect on our business and results of operations. In addition, government agencies may make changes in the regulatory frameworks within which we operate that may require either the corporation as a whole or individual businesses to incur substantial increases in costs in order to comply with such laws and regulations.

***Changes in, new interpretations of or changes in the enforcement of the governmental regulatory framework may affect our contracts and contract terms and may reduce our sales or profits.***

A portion of our sales, estimated to be approximately 15% in fiscal 2016, is derived from business with U.S. federal, state and local governments and agencies. Changes or new interpretations in, or changes in the enforcement of, the statutory or regulatory framework applicable to services provided under government contracts or bidding procedures, including an adverse change in government spending policies or appropriations, budget priorities or revenue levels, particularly by our food and support services businesses, could result in fewer new contracts or contract renewals, modifications to the methods we apply to price government contracts, or in contract terms of shorter duration than we have historically experienced. Any of these changes



could result in lower sales or profits than we have historically achieved, which could have an adverse effect on our results of operations.

***Environmental regulations may subject us to significant liability and limit our ability to grow.***

We are subject to various environmental protection laws and regulations, including the U.S. Federal Clean Water Act, Clean Air Act, Resource Conservation and Recovery Act, Comprehensive Environmental Response, Compensation, and Liability Act and similar federal, state and local statutes and regulations governing the use, management, and disposal of chemicals and hazardous materials. In particular, industrial laundries in our uniform rental business use certain detergents and cleaning chemicals to launder garments and other merchandise. The residues from such detergents and chemicals and residues from soiled garments and other merchandise laundered at our facilities may result in potential discharges to air and to water (through sanitary sewer systems and publicly owned treatment works) and may be contained in waste generated by our wastewater treatment systems.

Our industrial laundries are subject to certain volume and chemical air and water pollution discharge limits, monitoring, permitting and recordkeeping requirements.

We own or operate aboveground and underground storage tank systems at some locations to store petroleum products for use in our or our clients' operations. Certain of these storage tank systems also are subject to performance standards, periodic monitoring, and recordkeeping requirements. We also may use and manage chemicals and hazardous materials in our operations from time to time. In the course of our business, we may be subject to penalties and fines for non-compliance with environmental protection laws and regulations and we may settle, or contribute to the settlement of, actions or claims relating to the management of underground storage tanks and the handling and disposal of chemicals or hazardous materials. We may, in the future, be required to expend material amounts to rectify the consequences of any such events.

In addition, changes to environmental laws may subject us to additional costs or cause us to change aspects of our business. Under U.S. federal and state environmental protection laws, as an owner or operator of real estate we may be liable for the costs of removal or remediation of certain hazardous materials located on or in or migrating from our owned or leased property or our client's properties, as well as related costs of investigation and property damage, without regard to our fault, knowledge, or responsibility for the presence of such hazardous materials. There can be no assurance that locations that we own, lease or otherwise operate, either for ourselves or for our clients, or that we may acquire in the future, have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon us under such laws or expose us to third-party actions such as tort suits. In addition, such regulations may limit our ability to identify suitable sites for new or expanded facilities. In connection with our present or past operations and the present or past operations of our predecessors or companies that we have acquired, hazardous substances may migrate from properties on which we operate or which were operated by our predecessors or companies we acquired to other properties. We may be subject to significant liabilities to the extent that human health is adversely affected or the value of such properties is diminished by such migration.

***Our international business faces risks different from those we face in the United States that could have an effect on our results of operations and financial condition.***

A significant portion of our sales is derived from international business. During fiscal 2016, approximately 19% of our sales were generated outside of North America. We currently have a presence in 17 countries outside of the United States and Canada with approximately 88,500 personnel. Our international operations are subject to risks that are different from those we face in the United States, including the requirement to comply with changing, conflicting and unclear national and local regulatory requirements; Foreign Corrupt Practices Act, U.K. Bribery Act and other anti-corruption law compliance matters; potential difficulties in staffing and labor disputes; differing local labor laws; managing and obtaining support and distribution for local operations; credit risk or financial condition of local clients; potential imposition of restrictions on investments; potentially adverse tax consequences, including imposition or increase of withholding, VAT and other taxes on remittances and other payments by subsidiaries; foreign exchange controls; and local political and social conditions. In addition, the operating results of our non-U.S. subsidiaries are translated into U.S. dollars and those results are affected by movements in foreign currencies relative to the U.S. dollar.

We intend to continue to develop our business in emerging countries over the long term. Emerging international operations present several additional risks, including greater fluctuation in currencies relative to the U.S. dollar; economic and governmental instability; civil disturbances; volatility in gross domestic production; and nationalization and expropriation of private assets.

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.

***Continued or further unionization of our workforce may increase our costs and work stoppages could damage our business.***

Approximately 40,000 employees in our North America operations are represented by unions and covered by collective bargaining agreements. The continued or further unionization of a significantly greater portion of our workforce could increase our overall costs at the affected locations and adversely affect our flexibility to run our business in the most efficient manner to remain competitive or acquire new business. In addition, any significant increase in the number of work stoppages at our various operations could adversely affect our business, financial condition or results of operations.

***We may incur significant liability as a result of our participation in multiemployer defined benefit pension plans.***

We operate at several locations under collective bargaining agreements. Under some of these agreements, we are obligated to contribute to multiemployer defined benefit pension plans. As a contributing employer to such plans, should we trigger either a “complete” or a “partial withdrawal,” we would be subject to withdrawal liability (or partial withdrawal liability) for our proportionate share of any unfunded vested benefits. In addition, if a multiemployer defined benefit pension plan fails to satisfy the minimum funding standards, we could be liable to increase our contributions to meet minimum funding standards. Also, if a participating employer withdraws from the plan or experiences financial difficulty, including bankruptcy, our obligation could increase. The financial status of certain of the plans to which we contribute has deteriorated in the recent past and continues to deteriorate. In addition, any increased funding obligations for underfunded multiemployer defined benefit pension plans could have an adverse financial impact on us.

***Risks associated with the suppliers from whom our products are sourced could adversely affect our results of operations.***

The raw materials we use in our business and the finished products we sell are sourced from a wide variety of domestic and international suppliers. We seek to require our suppliers to comply with applicable laws and otherwise be certified as meeting our supplier standards of conduct. Our ability to find qualified suppliers who meet our standards, and to access raw materials and finished products in a timely and efficient manner is a challenge, especially with respect to suppliers located and goods sourced outside the United States. In addition, insolvency experienced by suppliers could make it difficult for us to source the items we need to run our business. Political and economic stability in the countries in which foreign suppliers are located, the financial stability of suppliers, suppliers' failure to meet our supplier standards, labor problems experienced by our suppliers, the availability of raw materials to suppliers, currency exchange rates, transport availability and cost, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control. In addition, United States foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. In addition, if one of our suppliers were to violate the law, our reputation may be harmed simply due to our association with that supplier. These and other factors affecting our suppliers and our access to raw materials and finished products could adversely affect our results of operations.

***In fiscal 2016, one distributor distributed approximately 52% of our food and non-food products in the United States and Canada, and if our relationship or their business were to be disrupted, we could experience disruptions to our operations and cost structure.***

Although we negotiate the pricing and other terms for the majority of our purchases of food and related products in the U.S. and Canada directly with national manufacturers, we purchase these products and other items through Sysco Corporation and other distributors. Sysco, the main U.S. and Canadian distributor of our food and non-food products, and other distributors are responsible for tracking our orders and delivering products to our specific locations. If our relationship with, or the business of, Sysco were to be disrupted, we would have to arrange alternative distributors and our operations and cost structure could be adversely affected in the short term. Similarly, a sudden termination of the relationship with a significant provider in other geographic areas could in the short term adversely affect our ability to provide services and disrupt our client relationships in such areas.

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

From time to time, we have had difficulty in hiring and retaining qualified management personnel, particularly at the entry management level. We will continue to have significant requirements to hire such personnel. In the past, at times when the United States or other geographic regions have periodically experienced reduced levels of unemployment, there has been a shortage of qualified workers at all levels. Given that our workforce requires large numbers of entry level and skilled workers and managers, low levels of unemployment when such conditions exist or mismatches between the labor markets and our skill requirements can compromise our ability in certain areas of our businesses to continue to provide quality service or compete for new business. We also regularly hire a large number of part-time and seasonal workers, particularly in our food and support services segments. Any difficulty we may encounter in hiring such workers could result in significant increases in labor costs, which could have a material adverse effect on our business, financial condition and results of operations. Competition for labor has at times resulted in wage increases in the past and future competition could substantially increase our labor costs. Due to the

labor intensive nature of our businesses and the fact that 70% of our food and support services segments' sales are from profit and loss contracts under which we have limited ability to pass along cost increases, a shortage of labor or increases in wage levels in excess of normal levels could have a material adverse effect on our results of operations.

***Healthcare reform legislation could have an impact on our business.***

During 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law in the United States. Certain of the provisions that have increased our healthcare costs include the removal of annual plan limits, the mandate that health plans provide 100% coverage on expanded preventative care and new eligibility rules, which cover more variable hour employees than we have done in the past. A number of the provisions of the legislation have been delayed and/or phased in over time, such as the excise tax on high cost coverage. Further regulatory action is expected as a result of the outcome of the recent presidential election. Such action could result in changes to healthcare eligibility, design and cost structure that could have an adverse impact on our business and operating costs.

***Our business is contract intensive and may lead to client disputes.***

Our business is contract intensive and we are parties to many contracts with clients all over the world. Our client interest contracts provide that client billings, and for some contracts the sharing of profits and losses, are based on our determinations of costs of service. Contract terms under which we base these determinations and, for certain government contracts, regulations governing our cost determinations, may be subject to differing interpretations which could result in disputes with our clients from time to time. Clients generally have the right to audit our contracts, and we periodically review our compliance with contract terms and provisions. If clients were to dispute our contract determinations, the resolution of such disputes in a manner adverse to our interests could negatively affect sales and operating results. While we do not believe any reviews, audits or other such matters should result in material adjustments, if a large number of our client arrangements were modified in response to any such matter, the effect could be materially adverse to our business or results of operations.

***Our operations are seasonal and quarter to quarter comparisons may not be a good indicator of our performance.***

In our first and second fiscal quarters, within the FSS North America segment, there historically has been a lower level of sales to sports and leisure clients, which is partly offset by increased activity in educational operations. In our third and fourth fiscal quarters, there historically has been a significant increase in sales to sports and leisure clients, which is partially offset by the effect of summer recess in educational operations. For these reasons, a quarter to quarter comparison is not a good indication of our performance or how we will perform in the future.

***Our operations and reputation may be adversely affected by disruptions to or breaches of our information security systems or if our data is otherwise compromised.***

We are increasingly utilizing information technology systems to enhance the efficiency of our business. We maintain confidential, proprietary and personal information about, or on behalf of, our potential, current and former clients, customers, employees and other third parties in these systems or engage third parties in connection with storage and processing of this information. Our systems and the systems of our vendors are subject to damage or interruption from power outages, computer or telecommunication failures, computer viruses and catastrophic events. These systems are also vulnerable to an increasing threat of rapidly evolving cyber-based attacks, including malicious software, attempts to gain unauthorized access to data and other electronic security breaches. The development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Despite our efforts and the efforts of our vendors, the possibility of risks described above, particularly cyber-based attacks, cannot be eliminated entirely, and each of these risks remain. In addition, we provide confidential, proprietary and personal information to third parties when it is necessary to pursue business objectives. While we obtain assurances that these third parties will protect this information, there is a risk the confidentiality of data held by third parties may be compromised. In addition, data and security breaches can also occur as the result of non-technical issues, including intentional or inadvertent breach by our employees or others with whom we have a relationship. Any damage to, or compromise or breach of our systems or the systems of our vendors could impair our ability to conduct our business, and result in a violation of applicable privacy and other laws, significant legal and financial exposure, including litigation and other potential liability, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation as a brand, business partner or an employer.

***Failure to maintain effective internal controls could adversely affect our business and stock price.***

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could



limit our ability to report our financial results accurately and timely or to detect and prevent fraud. A significant financial reporting failure or material weakness in internal control over financial reporting could cause a loss of investor confidence and decline in the market price of our common stock.

### **Risks Related to Our Indebtedness**

***Our leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industries, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations.***

We are highly leveraged. As of September 30, 2016, our outstanding indebtedness was \$5,270.0 million. We also had additional availability of \$713.5 million under our revolving credit facilities as of that date.

This degree of leverage could have important consequences, including:

- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facilities and our receivables facility, are at variable rates of interest;
- making it more difficult for us to make payments on our indebtedness;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit facilities and the indentures governing our senior notes. If new indebtedness is added to our current debt levels, the related risks that we now face could increase.

***If our financial performance were to deteriorate, we may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. While we believe that we currently have adequate cash flows to service our indebtedness, if our financial performance were to deteriorate significantly, we might be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If, due to such a deterioration in our financial performance, our cash flows and capital resources were to be insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In addition, if we were required to raise additional capital in the current financial markets, the terms of such financing, if available, could result in higher costs and greater restrictions on our business. In addition, although none of our long-term borrowings mature prior to 2019, if we were to need to refinance our existing indebtedness, the conditions in the financial markets at that time could make it difficult to refinance our existing indebtedness on acceptable terms or at all. If such alternative measures proved unsuccessful, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our senior secured credit agreement and the indentures governing our senior notes restrict our ability to dispose of assets and use the proceeds from any disposition of assets and to refinance our indebtedness. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

***Our debt agreements contain restrictions that limit our flexibility in operating our business.***

Our senior secured credit agreement and the indentures governing our senior notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- incur additional indebtedness, refinance or restructure indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock, make unscheduled payments on our notes, repurchase or redeem our senior notes or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

In addition, our senior secured revolving credit facility requires us to satisfy and maintain specified financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and in the event of a significant deterioration of our financial performance, there can be no assurance that we will satisfy those ratios and tests. A breach of any of these covenants could result in a default under the senior secured credit agreement. Upon our failure to maintain compliance with these covenants that is not waived by the lenders under the revolving credit facility, the lenders under the senior secured credit facilities could elect to declare all amounts outstanding under the senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit under such facilities. If we were unable to repay those amounts, the lenders under the senior secured credit facilities could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the senior secured credit agreement. If the lenders under the senior secured credit facilities accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay those borrowings, as well as our unsecured indebtedness. If our senior secured indebtedness was accelerated by the lenders as a result of a default, our senior notes may become due and payable as well. Any such acceleration may also constitute an amortization event under our receivables facility, which could result in the amount outstanding under that facility becoming due and payable.

**Risks Related to Ownership of Our Common Stock**

***Our share price may change significantly, and you may not be able to resell shares of our common stock at or above the price you paid or at all, and you could lose all or part of your investment as a result.***

We completed our initial public offering on December 17, 2013. Since our initial public offering, the trading price of our common stock, as reported by the NYSE, has been and is likely to continue to be volatile and could fluctuate due to a number of factors such as those listed in “—Risks Related to Our Business” and the following, some of which are beyond our control:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- announcements by us, our competitors or our vendors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;
- announcements by third parties of significant claims or proceedings against us;
- future sales of our common stock;
- general domestic and international economic conditions; and
- unexpected and sudden changes in senior management.

Furthermore, the stock market has experienced extreme volatility that, in some cases, has been unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

***There can be no assurance that we will continue to pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock.***

Payment of cash dividends on our common stock is subject to our compliance with applicable law and depends on, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, business prospects and other factors that our board of directors may deem relevant. Our senior secured credit facilities and the indentures governing our senior notes contain, and the terms of any future indebtedness we or our subsidiaries incur may contain, limitations on our ability to pay dividends. For more information, see Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Dividends." Although we have paid cash dividends in the past, there can be no assurance that we will continue to pay any dividend in the future.

***Anti-takeover provisions in our organizational documents could delay or prevent a change of control.***

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- the ability of our board of directors to issue one or more series of preferred stock;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- certain limitations on convening special stockholder meetings;
- the removal of directors only upon the affirmative vote of the holders of at least 75% in voting power of all the then-outstanding common stock of the company entitled to vote thereon, voting together as a single class; and
- that certain provisions may be amended only by the affirmative vote of the holders of at least 75% in voting power of all the then-outstanding common stock of the company entitled to vote thereon, voting together as a single class.

These anti-takeover provisions could make it more difficult for a third-party to acquire us, even if the third-party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares.



***Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.***

Our amended and restated certificate of incorporation provides that, with certain limited exceptions, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any stockholder (including any beneficial owner) to bring (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any director or officer of the Company owed to us or our stockholders, creditors or other constituents, (iii) any action asserting a claim against us or any director or officer of the Company arising pursuant to any provision of the Delaware General Corporation Law or our amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim against the Company or any director or officer of the Company governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of and consented to the foregoing provisions. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

***If securities or industry research analysts do not publish or cease publishing research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, our share price and trading volume could decline.***

The trading market for our common stock relies in part on the research and reports that securities and industry research analysts publish about us, our industry, our competitors and our business. We do not have any control over these analysts. Our share price and trading volumes could decline if one or more securities or industry analysts downgrade our common stock, issue unfavorable commentary about us, our industry or our business, cease to cover our company or fail to regularly publish reports about us, our industry or our business.

#### **Item 1B. Unresolved Staff Comments**

Not Applicable.

#### **Item 2. Properties**

Our principal executive offices are leased at Aramark Tower, 1101 Market Street, Philadelphia, Pennsylvania 19107. Our principal real estate is primarily comprised of Uniform facilities. As of September 30, 2016, we operated 283 service facilities in our Uniform segment, consisting of industrial laundries, cleanroom laundries, warehouses, distribution centers, satellites, depots, stand alone garages, shared service centers and administrative offices that are located in 40 states, Mexico, Canada and Puerto Rico. Of these, approximately 53% are leased and approximately 47% are owned. We own eight buildings that we use in our FSS North America segment, including several office/warehouse spaces, and we lease 107 premises, consisting of offices, office/warehouses and distribution centers. In addition, we own a distribution center, two offices and five other properties and lease 118 facilities throughout the world that we use in our FSS International segment. We also maintain other real estate and leasehold improvements, which we use in the Uniform and FSS segments. No individual parcel of real estate owned or leased is of material significance to our total assets.

**Item 3. Legal Proceedings**

Our business is subject to various federal, state and local laws and regulations governing, among other things, the generation, handling, storage, transportation, treatment and disposal of water wastes and other substances. We engage in informal settlement discussions with federal, state, local and foreign authorities regarding allegations of violations of environmental laws in connection with our operations or businesses conducted by our predecessors or companies that we have acquired, the aggregate amount of which and related remediation costs we do not believe should have a material adverse effect on our financial condition or results of operations.

From time to time, the Company and its subsidiaries are party to various legal actions, proceedings and investigations involving claims incidental to the conduct of their business, including those brought by clients, consumers, employees, government entities and third parties under, among others, federal, state, international, national, provincial and local employment laws, wage and hour laws, discrimination laws, immigration laws, human health and safety laws, import and export controls and customs laws, environmental laws, false claims or whistleblower statutes, minority, women and disadvantaged business enterprise statutes, tax codes, antitrust and competition laws, consumer protection statutes, procurement regulations, intellectual property laws, food safety and sanitation laws, cost and accounting principles, the Foreign Corrupt Practices Act, the U.K. Bribery Act, other anti-corruption laws, lobbying laws, motor carrier safety laws, data privacy and security laws and alcohol licensing and service laws, or alleging negligence and/or breaches of contractual and other obligations. Based on information currently available, advice of counsel, available insurance coverage, established reserves and other resources, the Company does not believe that any such actions, proceedings or investigations are likely to be, individually or in the aggregate, material to its business, financial condition, results of operations or cash flows. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or cash flows.

**Item 4. Mine Safety Disclosures**

Not Applicable.

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## Executive Officers of the Registrant

Our executive officers as of November 23, 2016 are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>With Aramark Since</u>
Eric J. Foss	58	Chairman, President and Chief Executive Officer	2012
Stephen P. Bramlage, Jr.	46	Executive Vice President and Chief Financial Officer	2015
Harrald F. Kroeker	59	Senior Vice President, Transformation	2013
Lynn B. McKee	61	Executive Vice President, Human Resources	1980
Brian P. Pressler	41	Senior Vice President, Controller and Chief Accounting Officer	2002
Stephen R. Reynolds	58	Executive Vice President, General Counsel and Secretary	2012
James J. Tarangelo	43	Vice President and Treasurer	2003

**Eric J. Foss** has been our Chairman of the Board since February 2015 and our President and Chief Executive Officer since May 2012. Before joining us, Mr. Foss served as Chief Executive Officer of Pepsi Beverages Company from February 2010 until December 2011. Prior to that Mr. Foss served as Chairman and Chief Executive Officer of The Pepsi Bottling Group from 2008 until 2010; President and Chief Executive Officer from 2006 until 2007; and Chief Operating Officer from 2005 until 2006. Mr. Foss serves on the board of CIGNA Corporation and previously served on the board of UDR, Inc.

**Stephen P. Bramlage, Jr.** was appointed Executive Vice President and Chief Financial Officer in April 2015. Prior to joining us, Mr. Bramlage served as Senior Vice President and Chief Financial Officer of Owens-Illinois, Inc. from June 2012 to March 2015. Prior to that, he served as President of Owens-Illinois Asia Pacific from August 2011 to June 2012; General Manager of Owens-Illinois New Zealand from August 2010 to July 2011; Vice President of Finance of Owens-Illinois, Inc. from March 2008 to July 2010; Vice President and Chief Financial Officer of Owens-Illinois Europe in 2008; and Vice President and Treasurer of Owens-Illinois, Inc. from 2006 to 2008.

**Harrald F. Kroeker** has been the Senior Vice President, Transformation since December 2014. Prior to that he was our Chief Operating Officer - Europe from November 2013 to November 2014. Before joining us, Mr. Kroeker was an executive with Dean Foods Company serving as its Senior Vice President and Chief Operating Officer, Dairy Group from November 2006 to January 2007 and as President, Fresh Daily Direct, from January 2007 to October 2011.

**Lynn B. McKee** was appointed Executive Vice President, Human Resources in May 2004. From August 2012 to August 2013, Ms. McKee served as Executive Vice President, Human Resources and Communications. From January 2004 to May 2004, Ms. McKee served as our Senior Vice President of Human Resources and from September 2001 to December 2003, she served as Senior Vice President of Human Resources for our Food and Support Services Group. From August 1998 to August 2001, she served as our Staff Vice President, Executive Development and Compensation. Ms. McKee serves on the board of directors of Bryn Mawr Bank Co.

**Brian P. Pressler** was appointed Senior Vice President, Controller and Chief Accounting Officer in June 2016. From January 2014 to May 2016, he served as our Vice President, Finance, Education and from January 2013 to January 2014 as our Vice President, Finance, International. Mr. Pressler served as our Vice President, Finance, Educational Services, K-12 from February 2011 to January 2013 and as Associate Vice President, Finance, Educational Services, K-12 from September 2008 to February 2011.

**Stephen R. Reynolds** was appointed Executive Vice President, General Counsel and Secretary in September 2012. Before joining us, Mr. Reynolds was an executive with Alcatel-Lucent for seven years, having most recently served as Senior Vice President and General Counsel from January 2006 to August 2012.

**James J. Tarangelo** was appointed Vice President and Treasurer in November 2016. He has been with Aramark since 2003 and has held positions of progressive responsibility in operations finance, financial planning and international finance. Mr. Tarangelo served as our Vice President, Finance, International from January 2014 to November 2016. He served as Associate Vice President, Planning & Operations Finance from 2013 to 2014 and Associate Vice President, Finance, International from 2008 to 2013.



## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information

Shares of our common stock began trading on December 12, 2013 and are quoted on the New York Stock Exchange ("NYSE") under the ticker symbol "ARMK." Prior to that date, there was no public market for our common stock. As of October 28, 2016, there were approximately 325 holders of record of our outstanding common stock. This does not include persons who hold our common stock in nominee or "street name" accounts through brokers or banks. The following table sets forth the high and low closing sales prices per share of our common stock during the periods indicated and the amount of cash dividends declared per share:

Fiscal Period	High	Low	Cash Dividend Declared Per Share
Quarter ended January 2, 2015	\$ 31.43	\$ 25.03	\$ 0.08625
Quarter ended April 3, 2015	\$ 32.70	\$ 29.63	\$ 0.08625
Quarter ended July 3, 2015	\$ 32.35	\$ 30.26	\$ 0.08625
Quarter ended October 2, 2015	\$ 33.78	\$ 28.09	\$ 0.08625
Quarter ended January 1, 2016	\$ 33.74	\$ 29.24	\$ 0.09500
Quarter ended April 1, 2016	\$ 33.28	\$ 29.57	\$ 0.09500
Quarter ended July 1, 2016	\$ 34.16	\$ 31.56	\$ 0.09500
Quarter ended September 30, 2016	\$ 38.21	\$ 33.12	\$ 0.09500

#### Dividends

The Company declared quarterly cash dividends of \$0.095 per share to all common stockholders of record at the close of business on November 17, 2015, February 16, 2016, May 18, 2016 and August 16, 2016, which were paid on December 9, 2015, March 7, 2016, June 7, 2016 and September 6, 2016, respectively. The Company declared quarterly cash dividends of \$0.08625 per share to all common stockholders of record at the close of business on November 25, 2014, February 17, 2015, May 20, 2015 and August 18, 2015, which were paid on December 16, 2014, March 9, 2015, June 9, 2015 and September 8, 2015, respectively. On November 9, 2016, a \$0.103 dividend per share of common stock was declared, payable on December 8, 2016, to shareholders of record on the close of business on November 28, 2016.

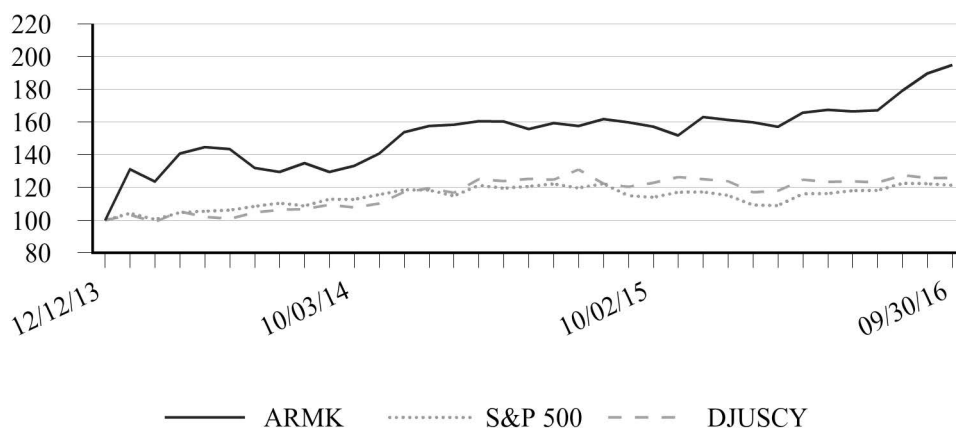
We intend to continue to pay cash dividends on our common stock, subject to our compliance with applicable law, and depending on, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in our debt agreements, business prospects and other factors that our Board of Directors may deem relevant. However, the payment of any future dividends will be at the discretion of our Board of Directors and our Board of Directors may, at any time, determine not to continue to declare quarterly dividends.

Our ability to pay dividends depends on our receipt of cash dividends from our main operating subsidiary, Aramark Services, Inc., formerly known as ARAMARK Corporation, which may further restrict our ability to pay dividends as a result of covenants under any existing and future outstanding indebtedness of Aramark Services, Inc. In particular, the ability of Aramark Services, Inc. to distribute cash to the Company to pay dividends is limited by covenants in Aramark Services, Inc.'s Amended and Restated Credit Agreement dated as of February 24, 2014, as amended from time to time, the indentures governing Aramark Services, Inc.'s 5.75% Senior Notes due 2020, 5.125% Senior Notes due 2024 and 4.75% Senior Notes due 2026. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of the restrictions on our ability to pay dividends and Note 5 to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

#### Stock Price Performance

*This performance graph and related information shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any filing of Aramark under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.*

The following graph shows a comparison from December 12, 2013 (the date our common stock commenced trading on the New York Stock Exchange) through September 30, 2016 of the cumulative total return for our common stock, The Standard & Poor's ("S&P") 500 Stock Index and The Dow Jones Consumer Non-Cyclical Index. The graph assumes that \$100 was invested in the Company's common stock and in each index at the market close on December 12, 2013 and assumes that all dividends were reinvested. The stock price performance of the following graph is not necessarily indicative of future stock price performance.



	December 12, 2013	October 3, 2014	October 2, 2015	September 30, 2016
Aramark	\$100.0	\$133.3	\$152.2	\$194.9
S&P 500	\$100.0	\$112.7	\$114.0	\$121.3
Dow Jones Consumer Non-Cyclical Index	\$100.0	\$107.8	\$122.9	\$125.8

#### Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the fiscal year ended September 30, 2016 which have not been previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K.

#### Purchases of Equity Securities by the Issuer

There were no repurchases of equity securities by the Company in the fourth fiscal quarter ended September 30, 2016.

## Item 6. Selected Consolidated Financial Data

The following table presents selected consolidated financial data. This information should be read in conjunction with the audited consolidated financial statements and the related notes thereto, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Risk Factors sections, each included elsewhere in this Annual Report on Form 10-K.

(dollars in millions, except per share amounts)	Fiscal Year Ended on or near September 30 <sup>(1)</sup>				
	2016	2015	2014	2013	2012
<b>Income Statement Data:</b>					
Sales	\$ 14,415.8	\$ 14,329.1	\$ 14,832.9	\$ 13,945.7	\$ 13,505.4
Depreciation and amortization	495.8	504.0	521.6	542.1	529.2
Operating income	746.3	627.9	564.6	514.4	581.8
Interest and other financing costs, net	315.4	285.9	334.9	423.8	456.8
Income from continuing operations	288.2	237.0	149.5	71.4	106.9
Net income	288.2	237.0	149.5	70.4	107.2
Net income attributable to Aramark stockholders	287.8	235.9	149.0	69.4	103.6
Basic earnings per share attributable to Aramark stockholders	\$1.19	\$0.99	\$0.66	\$0.34	\$0.51
Diluted earnings per share attributable to Aramark stockholders	\$1.16	\$0.96	\$0.63	\$0.33	\$0.49
Cash dividends declared per common share <sup>(2)</sup>	\$0.39	\$0.35	\$0.23	\$—	\$—
Ratio of earnings to fixed charges <sup>(3)</sup>	2.1x	1.9x	1.5x	1.2x	1.2x
<b>Balance Sheet Data (at period end):</b>					
Total assets	\$ 10,582.1	\$ 10,196.4	\$ 10,455.7	\$ 10,267.1	\$ 10,487.4
Long-term borrowings <sup>(4)(5)</sup>	5,223.5	5,184.6	5,355.8	5,758.2	5,971.3
Stockholders' Equity <sup>(2)(5)</sup>	2,161.0	1,883.4	1,718.0	903.7	966.9

- (1) Our fiscal year ends on the Friday nearest to September 30th. Fiscal years 2016, 2015, 2014, 2013 and 2012 refer to the fiscal years ended September 30, 2016, October 2, 2015, October 3, 2014, September 27, 2013 and September 28, 2012, respectively. Fiscal 2014 was a fifty-three week year. All other periods presented were fifty-two week years.
- (2) During fiscal 2016, the Company paid cash dividends totaling \$92.1 million (\$0.095 per share per quarter). During fiscal 2015, the Company paid cash dividends totaling \$81.9 million (\$0.08625 per share per quarter). During fiscal 2014, the Company paid cash dividends totaling \$52.2 million (\$0.075 per share during the second, third and fourth quarters of fiscal 2014).
- (3) For the purpose of determining the ratio of earnings to fixed charges, earnings include pre-tax income from continuing operations plus fixed charges (excluding capitalized interest). Fixed charges consist of interest on all indebtedness (including capitalized interest) plus that portion of operating lease rentals representative of the interest factor (deemed to be one-third of operating lease rentals).
- (4) During fiscal 2013, the Company completed a refinancing, repurchasing Aramark Services, Inc.'s outstanding 8.50% Senior Notes due 2015 and Senior Floating Rate Notes due 2015 and the Company's 8.625% / 9.375% Senior Notes due 2016. The Company refinanced that debt with new term loan borrowings under its senior secured credit facilities and the issuance by Aramark Services, Inc. of 5.75% Senior Notes due 2020 (the "2020 Notes"). During fiscal 2016, Aramark Services, Inc. issued \$400 million of 5.125% Senior Notes due 2024, \$500 million of additional 5.125% Senior Notes due 2024 (the "New 2024 Notes") and \$500 million of 4.75% Senior Notes due 2026 to repay approximately \$194.1 million of 2019 Term Loans and redeem approximately \$771.2 million aggregate principal amount of the 2020 Notes. The Company also made optional prepayments in fiscal 2016 of approximately \$160.0 million of outstanding U.S. dollar term loans and repaid a U.S. dollar denominated term loan of a Canadian subsidiary, due July 2016, that had been borrowed under the Company's senior secured credit agreement in the amount of \$74.1 million.
- (5) On December 17, 2013, the Company completed its initial public offering ("IPO") of 28,000,000 shares of its common stock at a price of \$20.00 per share, raising approximately \$524.1 million, net of costs directly related to the IPO. The Company used the net proceeds to repay borrowings of approximately \$154.1 million on the senior secured revolving credit facility and \$370.0 million of outstanding loans under our senior secured term loan facility.

## Item 7.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations for the fiscal years ended September 30, 2016, October 2, 2015 and October 3, 2014 should be read in conjunction with Selected Consolidated Financial Data and our audited consolidated financial statements and the notes to those statements.*

*On December 17, 2013, Aramark (the "Company", "we", "our" and "us") completed its initial public offering ("IPO") of 28,000,000 shares of its common stock at a price of \$20.00 per share. The Company's common stock trades on the New York Stock Exchange under the symbol "ARMK".*

*Our discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, opinions, expectations, anticipations, intentions and beliefs. Actual results and the timing of events could differ materially from those anticipated in those forward-looking statements as a result of a number of factors, including those set forth under "Risk Factors," "Special Note About Forward-looking Information" and "Business" sections and elsewhere in this Annual Report on Form 10-K ("Annual Report"). In the following discussion and analysis of financial condition and results of operations, certain financial measures may be considered "non-GAAP financial measures" under Securities and Exchange Commission ("SEC") rules. These rules require supplemental explanation and reconciliation, which is provided elsewhere in this Annual Report on Form 10-K.*

#### Overview

Aramark is a leading global provider of food, facilities and uniform services to education, healthcare, business & industry and sports, leisure & corrections clients. Our core market is North America, which is supplemented by an additional 17-country footprint. Through our established brand, broad geographic presence and approximately 266,500 employees, we anchor our business in our partnerships with thousands of education, healthcare, business, sports, leisure & corrections clients. Through these partnerships we serve millions of consumers including students, patients, employees, sports fans and guests worldwide.

We operate our business in three reportable segments:

- Food and Support Services North America ("FSS North America") - Food, refreshment, specialized dietary and support services, including facility maintenance and housekeeping, provided to business, educational and healthcare institutions and in sports, leisure and other facilities serving the general public in the United States and Canada.
- Food and Support Services International ("FSS International") - Food, refreshment, specialized dietary and support services, including facility maintenance and housekeeping, provided to business, educational and healthcare institutions and in sports, leisure and other facilities serving the general public. We have operations in 17 countries outside FSS North America. Our largest international operations are in the Chile, China, Germany, Ireland and the United Kingdom, and in each of these countries we are one of the leading food and/or facility service providers. We also have operations in Japan through our 50% ownership of AIM Services Co., Ltd., which is a leader in providing outsourced food services in Japan.
- Uniform and Career Apparel ("Uniform") - Rental, sale, cleaning, maintenance and delivery of personalized uniforms and other textile items on a contract basis and direct marketing of personalized uniforms and accessories to clients in a wide range of industries in the United States, Puerto Rico, Japan and Canada, including manufacturing, transportation, construction, restaurants and hotels, healthcare and pharmaceutical industries. We supply garments, other textile and paper products and other accessories through rental and direct purchase programs to businesses, public institutions and individuals.

Our Food and Support Services operations focus on serving clients in four principal sectors: Business & Industry, Education, Healthcare and Sports, Leisure & Corrections. Our FSS International reportable segment provides a similar range of services as those provided to our FSS North America clients and operates in the same sectors although it is more heavily weighted towards Business & Industry. In fiscal 2016, our FSS North America segment generated \$10.1 billion in sales, or 70% of our total sales, our FSS International segment generated \$2.7 billion in sales, or 19% of our total sales and our Uniform segment generated \$1.6 billion in sales, or 11% of total sales. Administrative expenses not allocated to our three reportable segments are presented separately as corporate expenses and are not included in our segment results.

Our operating results are affected by the economic conditions being experienced in the countries in which we operate. Across all of our businesses, we continue to plan and execute both growth and productivity initiatives and continue to focus on streamlining and improving the efficiency and effectiveness of our general and administrative functions through increased



standards, process improvements, and consolidation. As a result, we recorded certain costs related to these initiatives during fiscal 2016 (see Note 3 to our audited consolidated financial statements for more information).

### ***Seasonality***

Our sales and operating results have varied from quarter to quarter, as a result of different factors. Historically, within our FSS North America segment, there has been a lower level of activity during our first and second fiscal quarters in operations that provide services to sports and leisure clients. This lower level of activity, historically, has been partially offset during our first and second fiscal quarters by the increased activity levels in our educational operations. Conversely, historically there has been a significant increase in the provision of services to sports and leisure clients during our third and fourth fiscal quarters, which is partially offset by the effect of summer recess at colleges, universities and schools in our educational operations.

### ***Sources of Sales***

Our clients engage us, generally through written contracts, to provide our services at their locations. Depending on the type of client and service, we are paid either by our client or directly by the consumer to whom we have been provided access by our client. We typically use either profit and loss contracts or client interest contracts in our FSS North America and FSS International segments. These contracts differ in their provision for the amount of financial risk we bear and, accordingly, the potential compensation, profits or fees we may receive. Under profit and loss contracts, we receive all of the revenue from, and bear all of the expenses of, the provision of our services at a client location. For fiscal 2016, approximately 70% of our FSS North America and FSS International sales were derived from profit and loss contracts. Client interest contracts include management fee contracts, under which our clients reimburse our operating costs and pay us a management fee, which may be calculated as a fixed dollar amount or a percentage of sales or operating costs. Some management fee contracts entitle us to receive incentive fees based upon our performance under the contract, as measured by factors such as sales, operating costs and customer satisfaction surveys. For fiscal 2016, approximately 30% of our FSS North America and FSS International sales were derived from client interest contracts.

For our Uniform segment, we typically serve our rental clients under written service contracts for an initial term of three to five years. As the majority of our clients purchase on a recurring basis, our backlog of orders at any given time consists principally of orders in the process of being filled. With the exception of certain governmental bid business, most of our direct marketing business is conducted under invoice arrangement with repeat clients. To a large degree, our direct marketing business is relationship-driven. While we have long-term relationships with our larger clients, we generally do not have contracts with these clients.

### ***Costs and Expenses***

Our costs and expenses are comprised of cost of services provided, depreciation and amortization and selling and general corporate expenses. Cost of services provided consists of direct expenses associated with our operations, which includes food costs, wages, other labor-related expenses (including workers' compensation, state unemployment insurance and federal or state mandated health benefits and other healthcare costs), insurance, fuel, utilities, piece goods and clothing and equipment. Depreciation and amortization expenses mainly relate to assets used in generating sales. Selling and general corporate expenses include sales commissions, marketing, share-based compensation and other costs related to administrative functions including finance, legal, human resources and information technology.

### ***Interest and Other Financing Costs, net***

Interest and other financing costs, net, relates primarily to interest expense on long-term borrowings. Interest and other financing costs, net also includes third-party costs associated with long-term borrowings that were capitalized and are being amortized over the term of the borrowing.

### ***Provision for Income Taxes***

The provision for income taxes represents federal, foreign, state and local income taxes. Our effective tax rate differs from the statutory U.S. income tax rate due to the effect of state and local income taxes, tax rates in foreign jurisdictions, tax credits and certain nondeductible expenses. Our effective tax rate will change from quarter to quarter based on recurring and nonrecurring factors including, but not limited to, the geographical mix of earnings, state and local income taxes, tax audit settlements and enacted tax legislation, including certain business tax credits. Changes in judgment due to the evaluation of new information resulting in the recognition, derecognition or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of the change.

### ***Foreign Currency Fluctuations***

The impact from foreign currency translation assumes constant foreign currency exchange rates based on the rates in effect for the current year period being used in translation for the comparable prior year period. We believe that providing the impact of

fluctuations in foreign currency rates on certain financial results can facilitate analysis of period-to-period comparisons of business performance.

### ***Fiscal Year***

Our fiscal year is the fifty-two or fifty-three week period which ends on the Friday nearest to September 30th. The fiscal years ended September 30, 2016 and October 2, 2015 were each fifty-two week periods and the fiscal year ended October 3, 2014 was a fifty-three week period.

### **Results of Operations**

#### ***Fiscal 2016 Compared to Fiscal 2015***

The following tables present an overview of our results on a consolidated and segment basis with the amount of and percentage change between periods for the fiscal years 2016 and 2015 (dollars in millions).

	<b>Fiscal Year Ended</b>		<b>\$</b>	<b>%</b>
	<b>September 30, 2016</b>	<b>October 2, 2015</b>		
Sales	\$ 14,415.8	\$ 14,329.1	\$ 86.7	1 %
Cost and Expenses:				
Cost of service provided	12,890.4	12,880.4	10.0	— %
Other operating expenses	779.1	820.8	(41.7)	(5)%
	<u>13,669.5</u>	<u>13,701.2</u>	<u>(31.7)</u>	<u>— %</u>
Operating income	746.3	627.9	118.4	19 %
Interest and Other Financing Costs, net	315.4	285.9	29.5	10 %
Income Before Income Taxes	430.9	342.0	88.9	26 %
Provision for Income Taxes	142.7	105.0	37.7	36 %
Net income	<u>\$ 288.2</u>	<u>\$ 237.0</u>	<u>\$ 51.2</u>	<u>22 %</u>

	<b>Fiscal Year Ended</b>		<b>\$</b>	<b>%</b>
	<b>September 30, 2016</b>	<b>October 2, 2015</b>		
<b>Sales by Segment<sup>(1)</sup></b>				
FSS North America	\$ 10,122.3	\$ 9,950.3	\$ 172.0	2%
FSS International	2,729.8	2,858.2	(128.4)	(4%)
Uniform	1,563.7	1,520.6	43.1	3%
	<u>\$ 14,415.8</u>	<u>\$ 14,329.1</u>	<u>\$ 86.7</u>	<u>1%</u>

	<b>Fiscal Year Ended</b>		<b>\$</b>	<b>%</b>
	<b>September 30, 2016</b>	<b>October 2, 2015</b>		
<b>Operating Income by Segment</b>				
FSS North America	\$ 546.4	\$ 494.5	\$ 51.9	10%
FSS International	129.1	95.3	33.8	35%
Uniform	195.3	191.8	3.5	2%
Corporate	(124.5)	(153.7)	29.2	(19%)
	<u>\$ 746.3</u>	<u>\$ 627.9</u>	<u>\$ 118.4</u>	<u>19%</u>

(1) As a percentage of total sales, FSS North America represented 70% and 69%, FSS International represented 19% and 20% and Uniform represented 11% in both periods during fiscal 2016 and fiscal 2015, respectively.

### Consolidated Overview

Sales of \$14.4 billion for fiscal 2016 represented an increase of approximately 1% over the prior year period. The increase in sales for fiscal 2016 is attributable to:

- growth in the Sports, Leisure & Corrections and Education sectors;
- growth in Ireland, Spain, China and Mexico; and
- growth in our Uniform segment; partially offset by
- the decision to exit certain operations within the FSS International segment;
- a sales decline in the Business & Industry and Healthcare sectors and the U.K.; and
- the negative impact of foreign currency translation of approximately \$259 million (approximately -2%).

Cost of services provided was \$12.9 billion for fiscal 2016, and was consistent compared with prior year. Cost of services provided as a percentage of sales was 89% in fiscal 2016 compared to 90% in fiscal 2015. Cost of services provided was impacted by the items discussed below for operating income. The following table presents the percentages attributable to the components in cost of services provided for fiscal 2016 and fiscal 2015.

Cost of services provided components	Fiscal Year Ended	
	September 30, 2016	October 2, 2015
Food and support service costs	27%	27%
Personnel costs	47%	47%
Other direct costs	26%	26%
	100%	100%

Operating income of \$746.3 million for fiscal 2016 represented an increase of approximately 19% from the prior year. The increase in operating income was impacted by:

- profit growth in our Education and Sports, Leisure & Corrections sectors in the FSS North America segment;
- profit growth in South America, China and our 50% ownership of AIM Services Co., Ltd. in Japan;
- cost reductions from streamlining our general and administrative functions;
- a decrease in acquisition-related amortization expense (approximately \$31.9 million);
- the prior year charges associated with asset write-downs in the FSS North America and FSS International segments (approximately \$16.2 million);
- an increase from the gain related to the change in the fair value related to certain gasoline and diesel agreement (approximately \$10.9 million); and
- a decrease in share-based compensation expense mainly from the prior year vesting of outstanding performance-based options from a return-based event (approximately \$9.5 million); which more than offset
- assets write-offs, mainly in the Uniform segment (approximately \$7.0 million);
- a profit decline in the Healthcare sector; and
- the negative impact of foreign currency translation of approximately \$12 million (approximately -2%).

Interest and Other Financing Costs, net, for fiscal 2016 increased approximately \$29.5 million compared to the prior year. The increase during fiscal 2016 was primarily due to the partial paydown of the senior secured term loans, due September 2019 (the "2019 Term Loans") and the 5.75% Senior Notes due March 2020 (the "2020 Notes"), which resulted in charges of approximately \$30.2 million, consisting of \$22.2 million for the call premium on the 2020 Notes and \$8.0 million of non-cash charges for the write-off of debt issuance costs and debt discount on the 2020 Notes and 2019 Term Loans.

The effective income tax rate for fiscal 2016 was 33.1% compared to 30.7% in the prior year. The increase in the effective tax rate is primarily due the prior year benefits of \$6 million in connection with the sale of the India subsidiary due to the tax basis exceeding the book basis of the subsidiary and \$2.6 million from cash distributions received from the company's 50% ownership interest in AIM Services Co., Ltd. from the recovery of Japanese taxes paid in excess of the U.S. tax rate.

Net income for fiscal 2016 was \$288.2 million compared to \$237.0 million in the prior year. Net income attributable to noncontrolling interest for fiscal 2016 was \$0.4 million compared to \$1.0 million in the prior year.

## Segment Results

### *FSS North America Segment*

The FSS North America reportable segment consists of four operating segments which have similar economic characteristics and are aggregated into a single operating segment. The four operating segments or sectors of the FSS North America reportable segment are Business & Industry, Education, Healthcare and Sports, Leisure & Corrections.

Sales for each of these sectors are summarized as follows (in millions):

	<b>Fiscal Year Ended</b>	
	<b>September 30, 2016</b>	<b>October 2, 2015 *</b>
Business & Industry	\$ 1,975.9	\$ 2,018.6
Education	3,956.3	3,816.0
Healthcare	1,909.3	1,997.0
Sports, Leisure & Corrections	2,280.8	2,118.7
	<u>\$ 10,122.3</u>	<u>\$ 9,950.3</u>

\*Certain prior year amounts have been restated to reflect the current period classification. The effect of which was not material.

The Healthcare and Education sectors generally have high-single digit operating income margins and the Business & Industry and Sports, Leisure & Corrections sectors generally have mid-single digit operating income margins.

FSS North America segment sales for fiscal 2016 increased 2% over the prior period. The increase in sales was impacted by:

- growth in our Education and Sports, Leisure & Corrections sectors; partially offset by
- a sales decline in our Business & Industry and Healthcare sectors; and
- the negative impact of foreign currency translation of approximately \$55 million (approximately -1%).

The Business & Industry sector had a sales decrease of approximately 2% for fiscal 2016 which was impacted by:

- a decline in our remote services business in Canada due to camp shut downs and reduced employee headcount at our clients resulting from the economic downturn in the oil and gas industry.

The Education sector had a sales increase of approximately 4% for fiscal 2016 which was impacted by:

- growth in base business within our higher education business; and
- net new business within our higher education and K-12 businesses.

The Healthcare sector had a sales decrease of approximately 4% for fiscal 2016 which was impacted by:

- growth in base business within our technologies business; which was more than offset by
- the impact of net lost business.

The Sports, Leisure & Corrections sector had a sales increase of approximately 8% for fiscal 2016 which was impacted by:

- new business within our leisure business; and
- base business growth in the stadiums and arenas we serve; which more than offset
- an account we exited in the corrections business; and
- net lost business in the stadiums and arenas we serve.

Cost of services provided was \$9.1 billion for fiscal 2016 compared to \$9.0 billion for the prior year. Cost of services provided as a percentage of sales was 90% in both fiscal 2016 and fiscal 2015. Cost of services provided was impacted by the items discussed below for operating income.



Operating income for fiscal 2016 was \$546.4 million compared to \$494.5 million in the prior year. The increase in operating income was impacted by:

- profit growth in our Education and Sports, Leisure & Corrections sectors;
- cost reductions from streamlining our general and administrative functions;
- a decrease in acquisition-related amortization expense (approximately \$30.7 million);
- a decrease in consulting costs (approximately \$2.7 million); and
- the prior year charge to write-off idle service equipment (\$6.0 million); partially offset by
- profit decline in our Healthcare sector;
- an increase in severance related costs (approximately \$8.9 million);
- expenses associated with acquisition costs (approximately \$3.5 million);
- multiemployer pension plan withdrawal charges (approximately \$2.3 million);
- the prior year gain on a sale of a property (approximately \$3.1 million);
- the negative impact of foreign currency translation of approximately \$6 million (approximately -1%); and
- prior year income from favorable insurance adjustments related to claims experience (approximately \$7.1 million).

During fiscal 2016, we sold one of our buildings for cash proceeds of approximately \$9.5 million. A loss was recorded of approximately \$6.8 million during fiscal 2016 related to the sale and other asset write-offs. During fiscal 2015, we recorded an impairment charge of approximately \$8.7 million to write down the book value of the building to its estimated fair value at the time.

#### ***FSS International Segment***

Sales in the FSS International segment for fiscal 2016 decreased 4% compared to the prior year, as the negative impact of foreign currency translation (approximately \$204 million or -7%) and the sales decline in the U.K., primarily from the economic downturn in the oil and gas industry, more than offset growth in China, Ireland, Spain, Mexico and the positive impact of the Avoca Handweavers Limited ("Avoca") acquisition (approximately 2%).

Cost of services provided was \$2.5 billion for fiscal 2016 compared to \$2.7 billion in the prior year. Cost of services provided as a percentage of sales was 93% in fiscal 2016 compared to 94% in fiscal 2015. Cost of services provided was impacted by the items discussed below for operating income.

Operating income for fiscal 2016 was \$129.1 million compared to \$95.3 million in the prior year. The increase in operating income was impacted by:

- profit growth in South America, Germany, the U.K., China and our 50% ownership of AIM Services Co., Ltd. in Japan;
- the decrease in severance and related costs (other than the prior year severance charges incurred related to exiting certain operations) (approximately \$6.9 million);
- the prior year impact of charges associated with severance, asset write-downs and certain other exit costs related to exiting certain operations (approximately \$14.6 million); and
- the prior year impact of the loss associated with the divestiture of India (approximately \$4.3 million); which more than offset
- the negative impact of foreign currency translation of approximately \$7 million (approximately -7%).

#### ***Uniform Segment***

Uniform segment sales increased 3% for fiscal 2016 compared to the prior year, resulting primarily from growth in our uniform rental base business.

Cost of services provided was \$1.2 billion in both fiscal 2016 and 2015. Cost of services provided as a percentage of sales was 79% in fiscal 2016 compared to 78% in fiscal 2015. Cost of services provided was impacted by the items discussed below for operating income.

Operating income for fiscal 2016 was \$195.3 million compared to \$191.8 million in the prior year. The increase in operating income was impacted by:

- growth in the uniform rental business; and
- merchandise and plant productivity initiatives, capacity expansion and increased automation; which was partially offset by
- a charge to write-off impaired assets (approximately \$6.0 million).

Operating income in fiscal 2016 and fiscal 2015 includes \$2.5 million and \$2.3 million of severance and related costs, respectively. Operating income for fiscal 2015 includes a favorable insurance adjustment related to claims experience of approximately \$2.7 million.

### **Corporate**

Corporate expenses, those administrative expenses not allocated to the business segments, were \$124.5 million in fiscal 2016, compared to \$153.7 million for the prior year. The decrease is primarily due to the impact of:

- a decrease in our stock based compensation expense mainly from the prior year vesting of outstanding performance-based options from a return-based event (approximately \$9.5 million);
- an increase from the gain related to the change in the fair value related to certain gasoline and diesel agreement (approximately \$10.9 million);
- a decrease in consulting costs (approximately \$3.2 million); and
- cost reductions from streamlining our general and administrative functions (approximately \$3.8 million).

### **Fiscal 2015 Compared to Fiscal 2014**

The following tables present an overview of our results on a consolidated and segment basis with the amount of and percentage change between periods for the fiscal years 2015 and 2014 (dollars in millions).

	<b>Fiscal Year Ended</b>		<b>\$</b>	<b>%</b>
	<b>October 2, 2015</b>	<b>October 3, 2014</b>		
Sales	\$ 14,329.1	\$ 14,832.9	\$ (503.8)	(3)%
Cost and Expenses:				
Cost of service provided	12,880.4	13,363.9	(483.5)	(4)%
Other operating expenses	820.8	904.4	(83.6)	(9)%
	<u>13,701.2</u>	<u>14,268.3</u>	<u>(567.1)</u>	<u>(4)%</u>
Operating income	627.9	564.6	63.3	11 %
Interest and Other Financing Costs, net	285.9	334.9	(49.0)	(15)%
Income Before Income Taxes	342.0	229.7	112.3	49 %
Provision for Income Taxes	105.0	80.2	24.8	31 %
Net income	<u>\$ 237.0</u>	<u>\$ 149.5</u>	<u>\$ 87.5</u>	<u>59 %</u>

<b>Sales by Segment</b>	<b>Fiscal Year Ended</b>		<b>\$</b>	<b>%</b>
	<b>October 2, 2015</b>	<b>October 3, 2014</b>		
FSS North America	\$ 9,950.3	\$ 10,232.8	\$ (282.5)	(3)%
FSS International	2,858.2	3,111.2	(253.0)	(8)%
Uniform	1,520.6	1,488.9	31.7	2 %
	<u>\$ 14,329.1</u>	<u>\$ 14,832.9</u>	<u>\$ (503.8)</u>	<u>(3)%</u>

Operating Income by Segment	Fiscal Year Ended			
	October 2, 2015	October 3, 2014	\$	%
FSS North America	\$ 494.5	\$ 501.3	\$ (6.8)	(1)%
FSS International	95.3	106.2	(10.9)	(10)%
Uniform	191.8	172.1	19.7	11 %
Corporate	(153.7)	(215.0)	61.3	(29)%
	<u>\$ 627.9</u>	<u>\$ 564.6</u>	<u>\$ 63.3</u>	<u>11 %</u>

### **Consolidated Overview**

Sales of \$14.3 billion for fiscal 2015 represented a decrease of approximately 3% over the prior year. This decrease is primarily attributable to the estimated impact of the 53rd week in fiscal 2014 (approximately -2%), the negative impact of foreign currency translation of approximately \$474 million (approximately -3%) and a sales decline in the Business & Industry and Sports, Leisure & Corrections sectors. This decrease was partially offset by growth in the Education sector, growth in Germany, South America and China in our FSS International segment, and growth in our Uniform segment.

Cost of services provided was \$12.9 billion for fiscal 2015 compared to \$13.4 billion for the prior year period. Cost of services provided as a percentage of sales was 90% in both periods. Food and support service costs comprised approximately 27% of Cost of services provided for fiscal 2015 compared to 28% for fiscal 2014, personnel costs comprised approximately 47% of Cost of services provided for fiscal 2015 compared to 46% for fiscal 2014, and other direct costs comprised the remaining approximately 26% of Cost of services provided in both periods. Cost of services provided was impacted by the items discussed below for operating income.

Operating income of \$627.9 million for fiscal 2015 represented an increase of approximately 11% from the prior year. The increase is primarily attributable to increased sales and cost control efficiencies within our Uniform segment, profit growth in our Education and Sports, Leisure & Corrections sectors, a decrease in acquisition-related amortization expense (approximately \$19.4 million), a decrease in share-based compensation expense due to the fiscal 2014 modification of performance-based options, which more than offset the increase in expense from the share-based awards granted in fiscal 2015 (approximately \$29.9 million), a decrease in charges related to branding (approximately \$26.9 million) and the fiscal 2014 loss on the sale of the McKinley Chalet hotel (the "Chalet") of approximately \$6.7 million within our Sports, Leisure & Corrections sector, which more than offset the profit decline in our Business & Industry sector, the increase in severance and related costs (approximately \$4.2 million), the estimated impact of the 53rd week in fiscal 2014 (approximately -3%), and the negative impact of foreign currency translation of approximately \$25 million (approximately -5%). Fiscal 2015 includes charges of approximately \$16.2 million associated with asset write-downs within the FSS North America and FSS International segments, an impairment charge of approximately \$8.7 million related to one of our buildings in the FSS North America segment and the loss of approximately \$4.3 million associated with the divestiture of Aramark India Private Limited ("India").

Interest and Other Financing Costs, net, for fiscal 2015 decreased approximately \$48.9 million from the prior year primarily due to the impact of the 53rd week in fiscal 2014 (approximately \$5.0 million), favorable interest rates (approximately \$9.3 million) and debt refinancing costs related to the debt refinancing in fiscal 2014 (approximately \$25.7 million).

The effective income tax rate for fiscal 2015 was 30.7% compared to 34.9% in the prior year. The effective tax rate for fiscal 2015 includes a \$6.0 million benefit in connection with the sale of the India subsidiary due to the tax basis exceeding the book basis of the subsidiary, a \$2.2 million incremental benefit related to the retroactive extension of wage tax credits under the Tax Increase Prevention Act of 2014 and a \$2.6 million benefit from cash distributions received from the company's 50% ownership interest in AIM Services Co., Ltd. from the recovery of Japanese taxes paid in excess of the U.S. tax rate. Our fiscal 2015 effective tax rate also includes a benefit from additional tax credits received from prior year distributions received from AIM Services, Co., Ltd. The fiscal 2014 effective tax rate includes the reduction of goodwill in connection with the sale of the Chalet that was not tax deductible.

Net income for fiscal 2015 was \$237.0 million compared to \$149.5 million in the prior year. Net income attributable to noncontrolling interests for fiscal 2015 was \$1.0 million compared to \$0.5 million in the prior year.

### **Segment Results**

#### **FSS North America Segment**

The FSS North America reportable segment consists of four operating segments which have similar economic characteristics and are aggregated into a single operating segment. The four operating segments or sectors of the FSS North America reportable segment are Business & Industry; Education; Healthcare; and Sports, Leisure & Corrections.

Sales for each of these sectors are summarized as follows (in millions):

	Fiscal Year Ended	
	October 2, 2015	October 3, 2014
Business & Industry	\$ 2,054.8	\$ 2,264.4
Education	3,816.0	3,744.6
Healthcare	1,997.0	2,011.1
Sports, Leisure & Corrections	2,082.5	2,212.7
	\$ 9,950.3	\$ 10,232.8

The Healthcare and Education sectors generally have high-single digit operating income margins and the Business & Industry and Sports, Leisure & Corrections sectors generally have mid-single digit operating income margins.

FSS North America segment sales for fiscal 2015 decreased 3% over the prior period, primarily due to the estimated impact of the 53rd week in fiscal 2014 (approximately -2%), the negative impact of foreign currency translation of approximately \$108 million (approximately -1%), a sales decline in our Business & Industry and Sports, Leisure & Corrections sectors, partially offset by growth in our Education sector.

The Business & Industry sector had a high-single digit sales decrease for fiscal 2015 primarily due to the estimated impact of the 53rd week in fiscal 2014 (approximately -2%), the impact of lost business including a one-time facility project during fiscal 2014 (approximately \$70 million) and a decline in our remote services business in Canada due to camp shut downs and reduced employee headcount at our clients resulting from the economic downturn in the oil and gas industry.

The Education sector had a low single-digit sales increase for fiscal 2015 primarily due to growth in our base business within our Higher Education food business, net new business in our Higher Education and K-12 businesses, partially offset by the estimated impact of the 53rd week in fiscal 2014 (approximately -3%).

The Healthcare sector had a low-single digit sales decrease for fiscal 2015 primarily due to the estimated impact of the 53rd week in fiscal 2014 (approximately -2%), the impact of lost business within our healthcare technologies business from client consolidations, partially offset by growth in our base and new business within our hospitality business.

The Sports, Leisure & Corrections sector had a mid single-digit sales decrease for fiscal 2015 primarily due to the estimated impact of the 53rd week in fiscal 2014 (approximately -2%), lost business within our entertainment venues and arenas business, which more than offset base business growth in our stadiums and new business within our Corrections business.

Cost of services provided was \$9.0 billion for fiscal 2015 compared to \$9.3 billion for the prior year. Cost of services provided as a percentage of sales was 90% in fiscal 2015 compared to 91% in fiscal 2014. Cost of services provided was impacted by the items discussed below for operating income.

Operating income for fiscal 2015 was \$494.5 million compared to \$501.3 million in the prior year. This decrease is primarily attributable to the estimated impact of the 53rd week in fiscal 2014 (approximately -2%), the negative impact of foreign currency translation of approximately \$10 million (approximately -2%), an impairment charge related to one of our buildings (approximately \$8.7 million), an increase in severance expense as part of the next phase related to streamlining and improving the efficiency and effectiveness of our selling, general and administrative functions (approximately \$7.9 million), profit decline in our Business & Industry sector, primarily driven by a decline in our Canadian remote services business, including a charge to write-off idle service equipment (approximately \$6.0 million), and the impact of start-up costs at new client locations and amortization of client investments. These factors more than offset profit growth in our Education and Sports, Leisure & Corrections sectors, a decrease in acquisition-related amortization expense (approximately \$6.6 million), the gain on a sale of a property (approximately \$3.1 million), and the prior year loss on the sale of the Chalet (approximately \$6.7 million). Operating income in both periods also includes favorable risk insurance adjustments related to favorable claims experience.

### ***FSS International Segment***

Sales in the FSS International segment for fiscal 2015 decreased 8% compared to the prior year period, as the negative impact of foreign currency translation (approximately \$367 million or -12%) more than offset growth in Germany, Ireland, Spain, China, and South America.

Cost of services provided was \$2.7 billion for fiscal 2015 compared to \$2.9 billion in the prior year. Cost of services provided as a percentage of sales was 94% in both fiscal 2015 and fiscal 2014. Cost of services provided was impacted by the items discussed below for operating income.



Operating income for fiscal 2015 was \$95.3 million compared to \$106.2 million in the prior year. This decrease is primarily attributable to the negative impact of foreign currency translation of approximately \$15 million (approximately -15%), the charges associated with severance, asset write-downs and certain other exit costs related to exiting certain operations (approximately \$14.6 million), and the loss associated with the divestiture of India (approximately \$4.3 million), which more than offset profit growth in Ireland, Germany and China, the decrease in acquisition-related amortization expense (approximately \$4.8 million), and the decrease in severance and related costs (exclusive of the severance charges incurred related to exiting certain operations) (approximately \$6.7 million).

### ***Uniform Segment***

Uniform segment sales increased 2% for fiscal 2015 compared to the prior year, resulting primarily from growth in our uniform rental base business offset by the estimated impact of the 53rd week in fiscal 2014 (approximately -2%).

Cost of services provided was \$1.2 billion in both fiscal 2015 and fiscal 2014. Cost of services provided as a percentage of sales was 78% for both fiscal 2015 and fiscal 2014. Cost of services provided was impacted by the items discussed below for operating income.

Operating income for fiscal 2015 was \$191.8 million, an increase of approximately 11% when compared to the prior year due to growth in the uniform rental business, merchandise and plant productivity initiatives, and the decrease in acquisition-related amortization expense compared to the prior period (approximately \$8.0 million), partially offset by the estimated impact of the 53rd week in fiscal 2014 (approximately -2%). Operating income in fiscal 2015 and fiscal 2014 includes \$2.3 million and \$2.2 million of severance and related costs, respectively. Both periods also include favorable risk insurance adjustments related to favorable claims experience.

### ***Corporate***

Corporate expenses, those administrative expenses not allocated to the business segments, were \$153.7 million in fiscal 2015, compared to \$215.0 million for the prior year. The decrease is primarily due to the decrease in share-based compensation expense related to a fiscal 2014 modification of the vesting provisions for outstanding performance-based options that did not meet the applicable performance thresholds in prior years (approximately \$50.9 million), a decrease in charges related to branding (approximately \$24.0 million), and cash bonuses and other expenses from the completion of the IPO in fiscal 2014 (approximately \$5.0 million), which more than offset the increase in share-based compensation expense mainly from performance-based options, restricted stock unit and performance stock unit awards (approximately \$21.0 million).

## **Liquidity and Capital Resources**

### ***Overview***

Our principal sources of liquidity are cash generated from operating activities, funds from borrowings and existing cash on hand. As of September 30, 2016, we had \$152.6 million of cash and cash equivalents and approximately \$713.5 million of availability under our senior secured revolving credit facility. As of September 30, 2016, there was approximately \$379.0 million of outstanding foreign currency borrowings.

We believe that our cash and cash equivalents and the unused portion of our committed credit availability under the senior secured revolving credit facility will be adequate to meet anticipated cash requirements to fund working capital, capital spending, debt service obligations, refinancings, dividends and other cash needs. We will continue to seek to invest strategically but prudently in certain sectors and geographies. We routinely monitor our cash flow and the condition of the capital markets in order to be prepared to respond to changing conditions.

The table below summarizes our cash activity (in millions):

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Net cash provided by operating activities	\$ 806.6	\$ 683.0	\$ 398.2
Net cash used in investing activities	(679.7)	(504.3)	(505.2)
Net cash provided by (used in) financing activities	(96.7)	(168.0)	107.8

Reference to the audited Consolidated Statements of Cash Flows will facilitate understanding of the discussion that follows.

### ***Cash Flows Provided by Operating Activities***

During fiscal 2016, the total of net income and non cash charges increased compared to fiscal 2015, resulting from the higher operating results discussed above. The change in operating assets and liabilities of approximately \$3.9 million compared to the prior year period relates primarily to the following:

- Accrued Expenses being a source of cash compared to a use of cash in the prior year primarily due to a decrease in commission payments mainly from a prior year lost client in the Sports, Leisure & Corrections sector, timing of deferred income payments, timing of interest payments and timing of other accrued expenses; and
- Accounts Payable being less of a use of cash compared to the prior year due to the timing of disbursements and less employee taxes paid from exercises of share-based awards compared to the prior year; partially offset by
- Accounts Receivable were a use of cash due to timing of collections, mainly from the fiscal 2015 cash receipts related to a one-time facility project in the Business & Industry sector; and
- Prepayments were a use of cash primarily due to prepayments of income and non-income related taxes, interest on the U.S. dollar denominated term loan and insurance premiums.

During fiscal 2016, we made voluntary contributions to our defined benefit pension plans of approximately \$19.8 million. The "Other operating activities" caption in the Consolidated Statement of Cash Flows primarily reflects adjustments to net income in the current year for charges related to the repayment of the 2019 Term Loans and redemption of the 2020 Notes (see Note 5 to the audited consolidated financial statements).

During fiscal 2015, the total of net income and non cash charges was consistent compared to fiscal 2014. The increase in cash provided by operating activities compared to fiscal 2014 relates primarily to accounts receivable being a source of cash due to timing of collections (approximately \$308.0 million), mainly from a one-time facility project in the Business & Industry sector, accrued expenses being a source of cash due to the impact of prior year medical insurance payments by switching from being self-insured to fully-insured (approximately \$42.8 million), the timing of interest payments primarily from the 53rd week in fiscal 2014 (approximately \$45.9 million); partially offset by lower accruals for commissions, mainly from a lost client in the Sports, Leisure and Corrections sector (\$25.9 million) and prepayments being a source of cash primarily due to changes in the timing of income taxes (approximately \$64.4 million), partially offset by accounts payable being a use of cash due to the timing of disbursements (approximately \$108.9 million).

During fiscal 2015, we received proceeds of approximately \$9.2 million from a retrospective refund under our casualty insurance program related to prior year favorable loss experience and cash distributions of approximately \$22.2 million from AIM Services Co., Ltd. In addition, during fiscal 2015, we made voluntary contributions to our defined benefit pension plans of approximately \$45.0 million.

During fiscal 2014, the increase in the total of net income and noncash charges compared to fiscal 2013 results mainly from the overall growth of the business, improved operating results of our segments and the estimated impact of the 53rd week, as discussed above. The change in working capital requirements relates to changes in Accrued Expenses (approximately \$274.6 million), related to payments for severance and related costs from the series of actions undertaken during fiscal 2013, the timing of payments for interest, commissions and payroll due to the 53rd week and medical insurance payments due to switching from being self-insured to a private exchange, Accounts Receivable (approximately \$118.2 million), primarily due to business growth, mainly from the one-time facility project in the Business & Industry sector, and an increase in days sales outstanding, Accounts Payable (approximately \$64.8 million) due to timing of disbursements and the increase in employee payroll tax withholding payments from exercises of share-based awards and Prepayments and other current assets (approximately \$28.4 million) due to a change in tax method that impacts the timing of deductions. The "Other operating activities" caption reflects adjustments to net income in the current year and prior year periods related to nonoperating gains and losses, including goodwill write-offs and impairments and other financing related charges.

### ***Cash Flows Used in Investing Activities***

Fiscal 2016 use of cash in investing activities increased approximately 35% compared with fiscal 2015 primarily due to the acquisitions of Avoca in the FSS International segment for approximately \$65.8 million and HPSI, a group purchasing organization, in the FSS North America segment for \$140.0 million, partially offset by lower net capital expenditures, which includes the proceeds from the sale of a building in our FSS North America segment of approximately \$9.5 million.

Fiscal 2015 use of cash in investing activities was relatively stable compared with fiscal 2014 as the decline in fiscal 2015 of purchases of property and equipment, client contract investments and other and business acquisitions was offset by lower proceeds in fiscal 2015 from the disposal of property and equipment and divestitures.

During fiscal 2014, the increase compared to fiscal 2013 in purchases of property and equipment, client contract investments and other mainly related to an increase in client contract investments resulting from new business wins and contract extensions, mainly within the Education sector. We also received proceeds of \$24.0 million as a result of the sale of the Chalet in our Sports, Leisure & Corrections sector.

#### ***Cash Flows Provided by (Used In) Financing Activities***

During fiscal 2016, cash used in financing activities was impacted by the following (see Note 5 to the audited consolidated financial statements);

- issuance of \$400 million of 5.125% Senior Notes due January 2024 during the first quarter of fiscal 2016;
- issuance of \$500 million of additional 5.125% Senior Notes due January 2024 and \$500 million of 4.750% Senior Notes due June 2026 during the third quarter of fiscal 2016;
- repayment of approximately \$771.2 million aggregate principal amount of the 2020 Notes; optional prepayments of outstanding 2019 Term Loans of approximately \$354.1 million; payment of financing fees from the debt issuances during fiscal 2016 of approximately \$20.2 million;
- repayment of approximately \$82.0 million under the Receivables Facility;
- repayment of a U.S. dollar denominated term loan of a Canadian subsidiary in the amount of \$74.1 million; and
- payment of approximately \$92.1 million of dividends.

The "Other financing activities" in the Consolidated Statement of Cash Flows reflects a source of cash during fiscal 2016 from the excess tax benefit recorded on exercises of share-based awards which more than offset the call premium of \$22.2 million paid on the 2020 Notes. The source of cash during fiscal 2015 is mainly from the excess tax benefit recorded on exercises of share-based awards.

During fiscal 2015, cash used in financing activities was impacted by the repayment of approximately \$209.6 million on the senior secured term loan facility, payment of approximately \$81.9 million of dividends and payment of approximately \$48.5 million for a repurchase of 1.5 million shares of our common stock. This was partially offset by proceeds received of approximately \$39.9 million related to stock option exercises, and other financing activities, which mainly reflects the excess tax benefit recorded on exercises of stock options of approximately \$66.3 million.

During fiscal 2014, on December 17, 2013, the Company completed an IPO of 28.0 million shares of its common stock at a price of \$20.00 per share raising approximately \$524.1 million, net of costs directly related to the IPO. The Company used the net proceeds from the IPO to repay borrowings of approximately \$154.1 million on the senior secured revolving credit facility and \$370.0 million on the senior secured term loan facility. During fiscal 2014, we paid dividends of approximately \$52.2 million to our stockholders. The "Other financing activities" caption reflects financing related fees, distributions to noncontrolling interests and the excess tax benefit recorded on exercises of share-based awards.

On February 24, 2014, Aramark Services, Inc. entered into an Amendment Agreement (the "2014 Amendment Agreement") to the Amended and Restated Credit Agreement dated as of March 26, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). The 2014 Amendment Agreement amended and restated the Credit Agreement effective as of February 24, 2014. Among other things, the 2014 Amendment Agreement provided for approximately \$3,982.0 million in the aggregate of new term loans, \$2,582.0 million of which have a maturity date of February 24, 2021, with an acceleration to December 13, 2019 if the 5.75% Senior Notes due March 15, 2020 remain outstanding on December 13, 2019, and \$1,400.0 million of which have a maturity date of September 7, 2019. The new term loans were borrowed on February 24, 2014 and the proceeds were used to refinance Aramark Services, Inc.'s existing term loans due 2016 and 2019 (with the exception of term loans due 2016 borrowed by Aramark Services, Inc.'s Canadian subsidiary in the amount of approximately \$75.0 million). During fiscal 2014, approximately \$22.9 million of lender fees and third-party costs directly attributable to the term loans of the 2014 Amendment Agreement were capitalized. The Company also recorded charges to "Interest and Other Financing Costs, net" during fiscal 2014 consisting of \$13.1 million of third party costs and \$12.6 million of non-cash charges for the write-off of deferred financing costs and original issue discount.

The 2014 Amendment Agreement also provided for the extension, from January 26, 2017 to February 24, 2019, of the maturity of \$565.0 million in revolving lender commitments of the existing \$605.0 million revolving credit facility under the Credit Agreement. The 2014 Amendment Agreement also increased the revolving lender commitments by \$165.0 million. During fiscal 2014, approximately \$4.8 million of third-party costs directly attributable to the revolving credit facility of the 2014 Amendment Agreement were capitalized.

## Covenant Compliance

The Credit Agreement contains a number of covenants that, among other things, restrict our ability to: incur additional indebtedness; issue preferred stock or provide guarantees; create liens on assets; engage in mergers or consolidations; sell assets; pay dividends, make distributions or repurchase our capital stock; make investments, loans or advances; repay or repurchase any notes, except as scheduled or at maturity; create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries; make certain acquisitions; engage in certain transactions with affiliates; amend material agreements governing the notes (or any indebtedness that refinances the notes); and fundamentally change our business. The indentures governing our senior notes contains similar provisions. As of September 30, 2016, we were in compliance with these covenants.

Under the Credit Agreement and the indentures governing our senior notes, we are required to satisfy and maintain specified financial ratios and other financial condition tests and covenants. Our continued ability to meet those financial ratios, tests and covenants can be affected by events beyond our control, and there can be no assurance that we will meet those ratios, tests and covenants.

These financial ratios, tests and covenants involve the calculation of certain measures that we refer to in this discussion as "Covenant EBITDA" and "Covenant Adjusted EBITDA." Covenant EBITDA and Covenant Adjusted EBITDA are not measurements of financial performance under U.S. GAAP. Covenant EBITDA is defined as net income (loss) of Aramark Services, Inc. and its restricted subsidiaries plus interest and other financing costs, net, provision (benefit) for income taxes, and depreciation and amortization. Covenant Adjusted EBITDA is defined as Covenant EBITDA, further adjusted to give effect to adjustments required in calculating covenant ratios and compliance under our Credit Agreement and the indentures governing our senior notes.

Our presentation of these measures has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. You should not consider these measures as alternatives to net income or operating income determined in accordance with U.S. GAAP. Covenant EBITDA and Covenant Adjusted EBITDA, as presented by us, may not be comparable to other similarly titled measures of other companies because not all companies use identical calculations.

The following is a reconciliation of net income attributable to Aramark Services, Inc. stockholder, which is a U.S. GAAP measure of Aramark Services, Inc.'s operating results, to Covenant Adjusted EBITDA as defined in our debt agreements. The terms and related calculations are defined in the Credit Agreement and the indentures governing our senior notes. Covenant EBITDA and Covenant Adjusted EBITDA are measures of Aramark Services, Inc. and its restricted subsidiaries only and do not include the results of Aramark.

(in millions)	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Net income attributable to Aramark Services, Inc. stockholder	\$ 287.8	\$ 236.0	\$ 149.0
Interest and other financing costs, net	315.4	285.9	334.9
Provision for income taxes	142.7	105.0	80.2
Depreciation and amortization	495.8	504.0	521.6
Covenant EBITDA	1,241.7	1,130.9	1,085.7
Share-based compensation expense <sup>(1)</sup>	56.9	66.4	96.3
Unusual or non-recurring (gains)/losses <sup>(2)</sup>	—	(3.9)	2.9
Pro forma EBITDA for equity method investees <sup>(3)</sup>	14.3	14.8	18.8
Pro forma EBITDA for certain transactions <sup>(4)</sup>	4.1	—	—
Other <sup>(5)</sup>	35.4	58.9	28.3
Covenant Adjusted EBITDA	\$ 1,352.4	\$ 1,267.1	\$ 1,232.0

- (1) Represents share-based compensation expense resulting from the application of accounting for stock options, restricted stock units, performance stock units and deferred stock unit awards (see Note 10 to the audited consolidated financial statements).
- (2) Fiscal 2015 includes other income of approximately \$2.0 million related to our investment (possessory interest) at one of our National Parks Service ("NPS") client sites in our Sports, Leisure & Corrections sector and a net of tax gain of approximately \$1.9 million related to the sale of a building in our Healthcare sector. Fiscal 2014 includes a loss of



approximately \$6.7 million related to the sale of the Chalet, a gain from proceeds from the impact of Hurricane Sandy and other income related to our investment (possessory interest) at one of our NPS client sites.

- (3) Represents our estimated share of EBITDA, primarily from our AIM Services Co., Ltd. equity method investment not already reflected in our Covenant EBITDA. EBITDA for this equity method investee is calculated in a manner consistent with consolidated Covenant EBITDA but does not represent cash distributions received from this investee.
- (4) Represents the annualizing of net EBITDA from acquisitions made during the period.
- (5) Other includes organizational streamlining initiatives (\$24.9 million for fiscal 2016, \$27.5 million for fiscal 2015 and \$21.3 million for fiscal 2014), the impact of the change in fair value related to certain gasoline and diesel agreements (\$8.3 million gain for fiscal 2016, \$2.6 million loss for fiscal 2015 and \$1.8 million loss for fiscal 2014), expenses related to acquisition costs (\$3.9 million for fiscal 2016 and \$0.4 million for fiscal 2015), property and other asset write-downs associated with the sale of a building (\$6.8 million for fiscal 2016 and \$8.7 million for fiscal 2015), other asset write-offs (\$5.0 million for fiscal 2016 and \$16.2 million for fiscal 2015), expenses related to secondary offerings of common stock by certain of our stockholders (\$2.2 million for fiscal 2015 and \$0.9 million for fiscal 2014) and other miscellaneous expenses.

Our covenant requirements and actual ratios for the fiscal year ended September 30, 2016 are as follows:

	Covenant Requirements	Actual Ratios
Consolidated Secured Debt Ratio <sup>(1)</sup>	5.125x	2.64x
Interest Coverage Ratio (Fixed Charge Coverage Ratio) <sup>(2)</sup>	2.00x	4.51x

- (1) Our Credit Agreement requires us to maintain a maximum Consolidated Secured Debt Ratio, defined as consolidated total indebtedness secured by a lien to Covenant Adjusted EBITDA, of 5.125x. Consolidated total indebtedness secured by a lien is defined in the Credit Agreement as total indebtedness outstanding under the Credit Agreement, capital leases, advances under the Receivables Facility and any other indebtedness secured by a lien reduced by the lesser of the amount of cash and cash equivalents on our balance sheet that is free and clear of any lien and \$75 million. Non-compliance with the maximum Consolidated Secured Debt Ratio could result in the requirement to immediately repay all amounts outstanding under our Credit Agreement, which, if our revolving credit facility lenders failed to waive any such default, would also constitute a default under the indentures governing our senior notes.
- (2) Our Credit Agreement establishes an incurrence-based minimum Interest Coverage Ratio, defined as Covenant Adjusted EBITDA to consolidated interest expense, the achievement of which is a condition for us to incur additional indebtedness and to make certain restricted payments. If we do not maintain this minimum Interest Coverage Ratio calculated on a pro forma basis for any such additional indebtedness or restricted payments, we could be prohibited from being able to incur additional indebtedness, other than the additional funding provided for under the Credit Agreement and pursuant to specified exceptions, and make certain restricted payments, other than pursuant to certain exceptions. The minimum Interest Coverage Ratio is 2.00x for the term of the Credit Agreement. Consolidated interest expense is defined in the Credit Agreement as consolidated interest expense excluding interest income, adjusted for acquisitions and dispositions, further adjusted for certain non-cash or nonrecurring interest expense and our estimated share of interest expense from one equity method investee. The indentures governing our senior notes includes a similar requirement which is referred to as a Fixed Charge Coverage Ratio.

The Company and its subsidiaries and affiliates may from time to time, in their sole discretion, purchase, repay, redeem or retire any of our outstanding debt securities (including any publicly issued debt securities), in privately negotiated or open market transactions, by tender offer or otherwise, or extend or refinance any of our outstanding indebtedness.

The following table summarizes our future obligations for debt repayments, capital leases, estimated interest payments, future minimum rental and similar commitments under noncancelable operating leases as well as contingent obligations related to outstanding letters of credit and guarantees as of September 30, 2016 (dollars in thousands):

Contractual Obligations as of September 30, 2016	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term borrowings <sup>(1)</sup>	\$5,219,980	\$ 30,800	\$1,159,759	\$2,628,689	\$1,400,732
Capital lease obligations	78,615	15,722	34,752	20,692	7,449
Estimated interest payments <sup>(2)</sup>	1,114,400	220,300	411,400	265,600	217,100
Operating leases and other noncancelable commitments	713,129	238,462	149,019	96,439	229,209
Purchase obligations <sup>(3)</sup>	565,109	248,369	171,223	39,739	105,778
Other liabilities <sup>(4)</sup>	248,500	56,100	18,700	9,700	164,000
	<u>\$7,939,733</u>	<u>\$809,753</u>	<u>\$1,944,853</u>	<u>\$3,060,859</u>	<u>\$2,124,268</u>

Other Commercial Commitments as of September 30, 2016	Amount of Commitment Expiration by Period				
	Total Amounts Committed	Less than 1 year	1-3 years	3-5 years	More than 5 years
Letters of credit	\$ 53,783	\$ 53,783	\$ —	\$ —	\$ —
Guarantees	—	—	—	—	—
	<u>\$ 53,783</u>	<u>\$ 53,783</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (1) Excludes the \$46.3 million reduction to long-term borrowings from debt discounts and deferred financing fees and the increase of \$17.8 million from the unamortized premium on the New 2024 Notes.
- (2) These amounts represent future interest payments related to our existing debt obligations based on fixed and variable interest rates specified in the associated debt agreements. Payments related to variable debt are based on applicable rates at September 30, 2016 plus the specified margin in the associated debt agreements for each period presented. The amounts provided relate only to existing debt obligations and do not assume the refinancing or replacement of such debt. The average debt balance for each fiscal year from 2017 through 2022 is \$4,976.0 million, \$4,950.3 million, \$4,882.2 million, \$3,930.6 million, \$2,355.2 million and \$1,400.0 million, respectively. The average interest rate (after giving effect to interest rate swaps) for each fiscal year from 2017 through 2022 is 3.02%, 3.46%, 3.73%, 3.93%, 4.35% and 4.99%, respectively (See Note 5 to the audited consolidated financial statements for the terms and maturities of existing debt obligations).
- (3) Represents commitments for capital projects and client contract investments to help finance improvements or renovations at the facilities from which we operate.
- (4) Includes certain unfunded employee retirement and severance related obligations.

We have excluded from the table above uncertain tax liabilities due to the uncertainty of the amount and period of payment. As of September 30, 2016, we have gross uncertain tax liabilities of \$22.8 million (see Note 8 to the audited consolidated financial statements). During fiscal 2016, we made contributions totaling \$25.4 million into our defined benefit pension plans and benefit payments and settlements of \$16.7 million out of these plans. Estimated contributions to our defined benefit pension plans in fiscal 2017 are \$5.9 million and estimated benefit payments out of these plans in fiscal 2017 are \$12.3 million (see Note 7 to the audited consolidated financial statements).

We have an agreement (the "Receivables Facility") with 3 financial institutions where we sell on a continuous basis an undivided interest in all eligible accounts receivable, as defined in the Receivables Facility. Pursuant to the Receivables Facility, we formed ARAMARK Receivables, LLC, a wholly-owned, consolidated, bankruptcy-remote subsidiary. ARAMARK Receivables, LLC was formed for the sole purpose of transferring receivables generated by certain of our subsidiaries. Under the Receivables Facility, we and certain of our subsidiaries transfer without recourse all of their accounts receivable to ARAMARK Receivables, LLC. As collections reduce previously transferred interests, interests in new, eligible receivables are transferred to ARAMARK Receivables, LLC, subject to meeting certain conditions. The maximum amount available under the Receivables Facility is \$350.0 million, which expires in May 2019. In addition, the Receivables Facility includes a seasonal tranche which will increase the capacity by \$50.0 million at certain times of the year. As of September 30, 2016, \$268.0 million was outstanding under the Receivables Facility and is included in "Long-Term Borrowings" in the Consolidated Balance

Sheets. Amounts borrowed under the Receivables Facility fluctuate monthly based on our funding requirements and the level of qualified receivables available to collateralize the Receivables Facility.

Our business activities do not include the use of unconsolidated special purpose entities, and there are no significant business transactions that have not been reflected in the accompanying financial statements. We are self-insured for a limited portion of the risk retained under our general liability and workers' compensation arrangements. Self-insurance reserves are recorded based on actuarial analyses.

In the fourth quarter of fiscal 2016, as part of an initiative to simplify our corporate governance and organization, we reorganized our foreign affiliates into a holding company structure. It is anticipated this will create administrative and managerial benefits and better align with intergroup and regional operations.

### **Critical Accounting Policies and Estimates**

Our significant accounting policies are described in the notes to the audited consolidated financial statements included in this Annual Report. As described in such notes, we recognize sales in the period in which services are provided pursuant to the terms of our contractual relationships with our clients. Sales from direct marketing activities are recognized upon shipment.

In preparing our financial statements, management is required to make estimates and assumptions that, among other things, affect the reported amounts of assets, liabilities, sales and expenses. These estimates and assumptions are most significant where they involve levels of subjectivity and judgment necessary to account for highly uncertain matters or matters susceptible to change, and where they can have a material impact on our financial condition and operating performance. If actual results were to differ materially from the estimates made, the reported results could be materially affected.

#### ***Asset Impairment Determinations***

Goodwill, the Aramark trade name and other trade names are indefinite lived intangible assets that are not amortizable and are subject to an impairment test that we conduct annually or more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists. The impairment test may first consider qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Examples of qualitative factors include, macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, entity-specific events, events affecting reporting units and sustained changes in our stock price. If results of the qualitative assessment indicate a more likely than not determination or if a qualitative assessment is not performed, a quantitative test is performed by comparing the estimated fair value using a discounted cash flow approach of each reporting unit with its estimated net book value.

We perform the assessment of goodwill at the reporting unit level. Within our FSS International segment, each country is evaluated separately since these operating units are relatively autonomous and separate goodwill balances have been recorded for each entity. Based on our evaluation performed in the fourth quarter of fiscal 2016, we determined that it was more likely than not that the fair value of each of the reporting units exceeded its respective carrying amount, and therefore, we determined that goodwill was not impaired.

With respect to our other long-lived assets, we are required to test for asset impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. If indicators of impairment are present, we compare the sum of the future expected cash flows from the asset, undiscounted and without interest charges, to the asset's carrying value. If the sum of the future expected cash flows from the asset is less than the carrying value, an impairment would be recognized for the difference between the estimated fair value and the carrying value of the asset.

In making future cash flow analyses of various assets, we make assumptions relating to the following:

- The intended use of assets and the expected future cash flows resulting directly from such use;
- Comparable market valuations of businesses similar to Aramark's business segments;
- Industry specific economic conditions;
- Competitor activities and regulatory initiatives; and
- Client and customer preferences and behavior patterns.

We believe that an accounting estimate relating to asset impairment is a critical accounting estimate because the assumptions underlying future cash flow estimates are subject to change from time to time and the recognition of an impairment could have a significant impact on our consolidated statement of income.

### ***Environmental Loss Contingencies***

Accruals for environmental loss contingencies (i.e., environmental reserves) are recorded when it is probable that a liability has been incurred and the amount can reasonably be estimated. We view the measurement of environmental reserves as a critical accounting estimate because of the considerable uncertainty surrounding estimation, including the need to forecast well into the future. We are involved in legal proceedings under federal, state, local and foreign environmental laws in connection with our operations or businesses conducted by our predecessors or companies that we have acquired. The calculation of environmental reserves is based on the evaluation of currently available information, prior experience in the remediation of contaminated sites and assumptions with respect to government regulations and enforcement activity, changes in remediation technology and practices, and financial obligations and creditworthiness of other responsible parties and insurers.

### ***Litigation and Claims***

From time to time, the Company and its subsidiaries are party to various legal actions, proceedings and investigations involving claims incidental to the conduct of our businesses, including those brought by clients, consumers, employees, government entities and third parties under, among others, federal, state, international, national, provincial and local employment laws, wage and hour laws, discrimination laws, immigration laws, human health and safety laws, import and export controls and customs laws, environmental laws, false claims or whistleblower statutes, procurement regulations, intellectual property laws, food safety and sanitation laws, cost and accounting principles, the Foreign Corrupt Practices Act, the U.K. Bribery Act, other anti-corruption laws, lobbying laws, motor carrier safety laws, data privacy and security laws and alcohol licensing and service laws, or alleging negligence and/or breach of contractual and other obligations. We consider the measurement of litigation reserves as a critical accounting estimate because of the significant uncertainty in some cases relating to the outcome of potential claims or litigation and the difficulty of predicting the likelihood and range of potential liability involved, coupled with the material impact on our results of operations that could result from litigation or other claims. In determining legal reserves, we consider, among other issues:

- interpretation of contractual rights and obligations;
- the status of government regulatory initiatives, interpretations and investigations;
- the status of settlement negotiations;
- prior experience with similar types of claims;
- whether there is available insurance; and
- advice of counsel.

### ***Allowance for Doubtful Accounts***

We encounter risks associated with sales and the collection of the associated accounts receivable. We record a provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate provision, we analyze the creditworthiness of specific customers, aging of customer balances, general and specific industry economic conditions, industry concentrations, such as exposure to small and medium-sized businesses, the non-profit healthcare sector and the automotive, airline and financial services industries, and contractual rights and obligations. The accounting estimate related to the allowance for doubtful accounts is a critical accounting estimate because the underlying assumptions used for the allowance can change from time to time and uncollectible accounts could potentially have a material impact on our results of operations.

### ***Inventory Obsolescence***

We record an inventory obsolescence reserve for obsolete, excess and slow-moving inventory, principally in the Uniform segment. In calculating our inventory obsolescence reserve, we analyze historical and projected data regarding customer demand within specific product categories and make assumptions regarding economic conditions within customer specific industries, as well as style and product changes. Our accounting estimate related to inventory obsolescence is a critical accounting estimate because customer demand in certain of our businesses can be variable and changes in our reserve for inventory obsolescence could materially affect our results of operations.

### ***Income Taxes***

We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. We must make assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset. Our assumptions, judgments and estimates relative to the current provision for income taxes take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our

interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the amount of deferred income taxes take into account estimates of the amount of future taxable income, and actual operating results in future years could render our current assumptions, judgments and estimates inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates.

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Critical accounting estimates and the related assumptions are evaluated periodically as conditions warrant, and changes to such estimates are recorded as new information or changed conditions require.



## New Accounting Standard Updates

See Note 1 to the audited consolidated financial statements for a full description of recent accounting standard updates, including the expected dates of adoption.

### Item 7A. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to the impact of interest rate changes and manage this exposure through the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps. We do not enter into contracts for trading purposes and do not use leveraged instruments. The information below summarizes our market risks associated with debt obligations and other significant financial instruments as of September 30, 2016 (see Notes 5 and 6 to the audited consolidated financial statements). Fair values were computed using market quotes, if available, or based on discounted cash flows using market interest rates as of the end of the respective periods. For debt obligations, the table presents principal cash flows and related interest rates by contractual fiscal year of maturity. Variable interest rates disclosed represent the weighted-average rates of the portfolio at September 30, 2016. For interest rate swaps, the table presents the notional amounts and related weighted-average interest rates by fiscal year of maturity. The variable rates presented are the average forward rates for the term of each contract.

As of September 30, 2016	(US\$ equivalent in millions)						Total	Fair Value
	Expected Fiscal Year of Maturity							
	2017	2018	2019	2020	2021	Thereafter		
<b>Debt:</b>								
Fixed rate	\$ 16	\$ 19	\$ 15	\$ 241	\$ 9	\$ 1,407	\$ 1,707	\$ 1,756
Average interest rate	5.0%	5.0%	5.0%	5.7%	5.0%	5.0%	5.1%	
Variable rate	\$ 31	\$ 26	\$ 1,134 <sup>(a)</sup>	\$ 32	\$ 2,369	\$ —	\$ 3,592	\$ 3,610
Average interest rate	3.1%	3.4%	2.9%	3.4%	3.4%	—%	3.2%	
<b>Interest Rate Swaps:</b>								
Receive variable/pay fixed	\$ 1,000	\$ 600	\$ 575	\$ 225	\$ —	\$ —	\$ 2,400	\$ (41)
Average pay rate	1.6%	1.7%	2.0%	2.9%	—%			
Average receive rate	0.8%	0.8%	0.8%	0.8%	—%			

(a) Balance includes \$268 million of borrowings under the Receivables Facility.

As of September 30, 2016, the Company had foreign currency forward exchange contracts outstanding with notional amounts of €59.5 million, £72.3 million and CAD 132.5 million to mitigate the risk of changes in foreign currency exchange rates on short-term intercompany loans to certain international subsidiaries. As of September 30, 2016, the fair value of these foreign exchange contracts is \$0.4 million, which is included in "Accounts Payable" in our Consolidated Balance Sheets.

The Company entered into a series of pay fixed/receive floating gasoline and diesel fuel agreements based on the Department of Energy weekly retail on-highway index in order to limit its exposure to price fluctuations for gasoline and diesel fuel. As of September 30, 2016, the Company has contracts for approximately 32.6 million gallons outstanding for fiscal 2017 and fiscal 2018. As of September 30, 2016, the fair value of the Company's gasoline and diesel fuel hedge agreements is \$3.9 million, which is included in "Prepayments and Other Current Assets" in our Consolidated Balance Sheets.

### Item 8. Financial Statements and Supplementary Data

See Financial Statements and Schedule beginning on page S-1.

### Item 9. Changes and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

## **Item 9A. Controls and Procedures**

### **(a) Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

### **(b) Management's Annual Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based upon criteria established in Internal Control – Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company's management concluded that the Company's internal control over financial reporting was effective as of September 30, 2016. The effectiveness of the Company's internal control over financial reporting as of September 30, 2016 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in their report that is included herein on the following page.

### **(c) Change in Internal Control over Financial Reporting**

No change in the Company's internal control over financial reporting occurred during the Company's fourth quarter of fiscal 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Aramark:

We have audited Aramark and subsidiaries' (the Company) internal control over financial reporting as of September 30, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Annual Report on Internal Control Over Financial Reporting," appearing in item 9A, Controls and Procedures. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Aramark and subsidiaries as of September 30, 2016 and October 2, 2015, and the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the fiscal years ended September 30, 2016, October 2, 2015 and October 3, 2014, and our report dated November 23, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Philadelphia, Pennsylvania

November 23, 2016

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

Information about our directors and persons nominated to become directors required by Item 10 will be included under the caption "Proposal No. 1 - Election of Directors" in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference. Information about our executive officers is included under the caption "Executive Officers of the Registrant" in Part I of this report and incorporated herein.

Information on beneficial ownership reporting required by Item 10 will be included under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

We have a Business Conduct Policy that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer, which is available on the Investor Relations section of our website at [www.aramark.com](http://www.aramark.com). A copy of our Business Conduct Policy may be obtained free of charge by writing to Investor Relations, Aramark, 1101 Market Street, Philadelphia, PA 19107. Our Business Conduct Policy contains a "code of ethics," as defined in Item 406(b) of Regulation S-K. Please note that our website address is provided as an inactive textual reference only. We will make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our website.

The remaining information required by Item 10 will be included under the caption "Board Committees and Meetings" in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

### **Item 11. Executive Compensation**

Information required by Item 11 will be included under the caption "Compensation Matters" in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information required by Item 12 will be included under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information required by Item 13 will be included under the captions "Certain Relationships and Related Transactions" and "Director Independence and Independence Determinations" in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

### **Item 14. Principal Accountant Fees and Services**

Information required by Item 14 will be included under the caption "Fees to Independent Registered Public Accounting Firm" in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

## PART IV

### **Item 15. Exhibits and Financial Statement Schedules**

#### *(a) Financial Statements*

See Index to Financial Statements and Schedule at page S-1 and the Exhibit Index.

#### *(b) Exhibits Required by Item 601 of Regulation S-K*

See the Exhibit Index which is incorporated herein by reference.

#### *(c) Financial Statement Schedules*

See Index to Financial Statements and Schedule at page S-1.





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**ARAMARK AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE**

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>S-2</u>
<u>Consolidated Balance Sheets as of September 30, 2016 and October 2, 2015</u>	<u>S-3</u>
<u>Consolidated Statements of Income for the fiscal years ended September 30, 2016, October 2, 2015 and October 3, 2014</u>	<u>S-4</u>
<u>Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2016, October 2, 2015 and October 3, 2014</u>	<u>S-5</u>
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<u>Schedule II—Valuation and Qualifying Accounts and Reserves for the fiscal years ended September 30, 2016, October 2, 2015 and October 3, 2014</u>	<u>S-45</u>

All other schedules are omitted because they are not applicable, not required, or the information required to be set forth therein is included in the consolidated financial statements or in the notes thereto.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Aramark:

We have audited the accompanying consolidated balance sheets of Aramark and subsidiaries (the Company) as of September 30, 2016 and October 2, 2015, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the fiscal years ended September 30, 2016, October 2, 2015 and October 3, 2014. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aramark and subsidiaries as of September 30, 2016 and October 2, 2015, and the results of their operations and their cash flows for each of the fiscal years ended September 30, 2016, October 2, 2015 and October 3, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated November 23, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania

November 23, 2016

**ARAMARK AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2016 AND OCTOBER 2, 2015**  
(in thousands, except share amounts)

	<u>September 30, 2016</u>	<u>October 2, 2015</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 152,580	\$ 122,416
Receivables (less allowances: 2016 - \$48,058; 2015 - \$39,023)	1,476,349	1,444,574
Inventories	587,155	575,263
Prepayments and other current assets	276,487	236,870
Total current assets	<u>2,492,571</u>	<u>2,379,123</u>
Property and Equipment, at cost:		
Land, buildings and improvements	643,347	639,148
Service equipment and fixtures	1,890,301	1,745,545
	<u>2,533,648</u>	<u>2,384,693</u>
Less - Accumulated depreciation	(1,510,565)	(1,425,348)
	<u>1,023,083</u>	<u>959,345</u>
Goodwill	4,628,881	4,558,968
Other Intangible Assets	1,111,883	1,111,980
Other Assets	1,325,654	1,186,941
	<u>\$ 10,582,072</u>	<u>\$ 10,196,357</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Current maturities of long-term borrowings	\$ 46,522	\$ 81,427
Accounts payable	847,588	850,040
Accrued payroll and related expenses	514,619	522,687
Accrued expenses and other current liabilities	776,016	726,834
Total current liabilities	<u>2,184,745</u>	<u>2,180,988</u>
Long-Term Borrowings	5,223,514	5,184,597
Deferred Income Taxes and Other Noncurrent Liabilities	1,003,013	937,311
Redeemable Noncontrolling Interest	9,794	10,102
Stockholders' Equity:		
Common stock, par value \$.01 (authorized: 600,000,000 shares; issued: 2016—272,565,923 shares and 2015—266,564,567; and outstanding: 2016—244,713,580 shares and 2015—239,917,320)	2,726	2,666
Capital surplus	2,921,725	2,784,730
Accumulated deficit	(33,778)	(228,641)
Accumulated other comprehensive loss	(180,783)	(166,568)
Treasury stock (shares held in treasury: 2016—27,852,343 shares and 2015—26,647,247)	(548,884)	(508,828)
Total stockholders' equity	<u>2,161,006</u>	<u>1,883,359</u>
	<u>\$ 10,582,072</u>	<u>\$ 10,196,357</u>

The accompanying notes are an integral part of these consolidated financial statements.



**ARAMARK AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, OCTOBER 2, 2015 AND OCTOBER 3, 2014**  
**(in thousands, except per share data)**

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Sales	\$ 14,415,829	\$ 14,329,135	\$ 14,832,913
Costs and Expenses:			
Cost of services provided	12,890,408	12,880,424	13,363,918
Depreciation and amortization	495,765	504,033	521,581
Selling and general corporate expenses	283,342	316,740	382,851
	<u>13,669,515</u>	<u>13,701,197</u>	<u>14,268,350</u>
Operating income	746,314	627,938	564,563
Interest and Other Financing Costs, net	315,383	285,942	334,886
Income Before Income Taxes	430,931	341,996	229,677
Provision for Income Taxes	142,699	105,020	80,218
Net income	288,232	236,976	149,459
Less: Net income attributable to noncontrolling interest	426	1,030	503
Net income attributable to Aramark stockholders	<u>\$ 287,806</u>	<u>\$ 235,946</u>	<u>\$ 148,956</u>
Earnings per share attributable to Aramark stockholders:			
Basic	\$ 1.19	\$ 0.99	\$ 0.66
Diluted	\$ 1.16	\$ 0.96	\$ 0.63
Weighted Average Shares Outstanding:			
Basic	242,286	237,616	225,866
Diluted	248,763	246,616	237,451

The accompanying notes are an integral part of these consolidated financial statements.

**ARAMARK AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, OCTOBER 2, 2015 AND OCTOBER 3, 2014**  
**(in thousands)**

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Net income	\$ 288,232	\$ 236,976	\$ 149,459
Other comprehensive loss, net of tax:			
Pension plan adjustments	(24,670)	3,522	(13,596)
Foreign currency translation adjustments	3,080	(43,547)	(31,281)
Cash flow hedges:			
Unrealized losses arising during the period	(8,426)	(34,622)	(17,626)
Reclassification adjustments	21,184	11,681	15,430
Share of equity investee's comprehensive income (loss)	(5,383)	2,696	—
Other comprehensive loss, net of tax	(14,215)	(60,270)	(47,073)
Comprehensive income	274,017	176,706	102,386
Less: Net income attributable to noncontrolling interest	426	1,030	503
Comprehensive income attributable to Aramark stockholders	\$ 273,591	\$ 175,676	\$ 101,883

The accompanying notes are an integral part of these consolidated financial statements.

**ARAMARK AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, OCTOBER 2, 2015 AND OCTOBER 3, 2014**  
(in thousands)

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Cash flows from operating activities:			
Net income	\$ 288,232	\$ 236,976	\$ 149,459
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	495,765	504,033	521,581
Income taxes deferred	52,416	(4,108)	37,372
Share-based compensation expense	56,942	66,416	96,332
Changes in operating assets and liabilities:			
Receivables	(32,859)	81,284	(226,756)
Inventories	(9,625)	(29,587)	(19,810)
Prepayments	(64,663)	9,763	(77,609)
Accounts payable	(24,231)	(99,265)	9,657
Accrued expenses	35,643	(61,839)	(113,193)
Changes in other noncurrent liabilities	(33,711)	(52,136)	(9,034)
Changes in other assets	(10,189)	13,595	10,123
Other operating activities	52,920	17,904	20,037
Net cash provided by operating activities	<u>806,640</u>	<u>683,036</u>	<u>398,159</u>
Cash flows from investing activities:			
Purchases of property and equipment, client contract investments and other	(512,532)	(524,384)	(545,194)
Disposals of property and equipment	26,824	19,128	28,494
Proceeds from divestitures	—	—	24,000
Acquisition of certain businesses:			
Working capital other than cash acquired	10,226	(143)	(540)
Property and equipment	(32,989)	—	(6,681)
Additions to goodwill, other intangible assets and other assets, net	(176,614)	(3,234)	(14,235)
Other investing activities	5,340	4,299	8,934
Net cash used in investing activities	<u>(679,745)</u>	<u>(504,334)</u>	<u>(505,222)</u>
Cash flows from financing activities:			
Proceeds from long-term borrowings	1,399,988	71,926	1,570,818
Payments of long-term borrowings	(1,363,534)	(209,621)	(1,978,606)
Net change in funding under the Receivables Facility	(82,000)	—	50,000
Payments of dividends	(92,074)	(81,898)	(52,186)
Proceeds from initial public offering, net	—	—	524,081
Proceeds from issuance of common stock	35,705	39,946	4,408
Repurchase of common stock	(749)	(50,176)	(4,730)
Other financing activities	5,933	61,847	(6,030)
Net cash provided by (used in) financing activities	<u>(96,731)</u>	<u>(167,976)</u>	<u>107,755</u>
Increase in cash and cash equivalents	30,164	10,726	692
Cash and cash equivalents, beginning of period	122,416	111,690	110,998
Cash and cash equivalents, end of period	<u>\$ 152,580</u>	<u>\$ 122,416</u>	<u>\$ 111,690</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ARAMARK AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, OCTOBER 2, 2015 AND OCTOBER 3, 2014**  
(in thousands)

	Total Stockholders' Equity	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock
Balance, September 27, 2013	\$ 903,707	\$ 2,194	\$1,693,663	\$ (479,233)	\$ (59,225)	\$ (253,692)
Net income attributable to Aramark stockholders	148,956			148,956		
Other comprehensive income (loss)	(47,073)				(47,073)	
Capital contributions from issuance of common stock	62,087	87	62,000			
Capital contributions from initial public offering	524,081	280	523,801			
Share-based compensation expense	96,332		96,332			
Tax benefits related to stock incentive plans	40,507		40,507			
Change due to termination of provision in Stockholders' Agreement	158,708		158,708			
Repurchases of Common Stock	(117,083)					(117,083)
Payments of dividends	(52,186)			(52,186)		
Balance, October 3, 2014	\$ 1,718,036	\$ 2,561	\$2,575,011	\$ (382,463)	\$ (106,298)	\$ (370,775)
Net income attributable to Aramark stockholders	235,946			235,946		
Other comprehensive income (loss)	(60,270)				(60,270)	
Capital contributions from issuance of common stock	77,095	105	76,990			
Share-based compensation expense	66,416		66,416			
Tax benefits related to stock incentive plans	66,313		66,313			
Repurchases of Common Stock	(138,053)					(138,053)
Payments of dividends	(82,124)			(82,124)		
Balance, October 2, 2015	\$ 1,883,359	\$ 2,666	\$2,784,730	\$ (228,641)	\$ (166,568)	\$ (508,828)
Net income attributable to Aramark stockholders	287,806			287,806		
Other comprehensive income (loss)	(14,215)				(14,215)	
Capital contributions from issuance of common stock	48,156	60	48,096			
Share-based compensation expense	56,942		56,942			
Tax benefits related to stock incentive plans	31,957		31,957			
Repurchases of Common Stock	(40,056)					(40,056)
Payments of dividends	(92,943)			(92,943)		
Balance, September 30, 2016	\$ 2,161,006	\$ 2,726	\$2,921,725	\$ (33,778)	\$ (180,783)	\$ (548,884)

The accompanying notes are an integral part of these consolidated financial statements.

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF BUSINESS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Aramark (the "Company") is a leading global provider of food, facilities and uniform services to education, healthcare, business & industry, and sports, leisure & corrections clients. The Company's core market is North America (composed of the United States and Canada), which is supplemented by an additional 17-country footprint serving many of the fastest growing global geographies. The Company operates its business in three reportable segments that share many of the same operating characteristics:

- Food and Support Services North America ("FSS North America") - Food, refreshment, specialized dietary and supports services, including facility maintenance and housekeeping, provided to business, educational and healthcare institutions and in sports, leisure and other facilities.
- Food and Support Services International ("FSS International") - Food, refreshment, specialized dietary and support services, including facility maintenance and housekeeping, provided to business, educational and healthcare institutions and in sports, leisure and other facilities.
- Uniform and Career Apparel ("Uniform") - Rental, sale, cleaning, maintenance and delivery of personalized uniforms and other textile items on a contract basis and direct marketing of personalized uniforms and accessories to clients in a wide range of industries, including manufacturing, transportation, construction, restaurants and hotels, healthcare and pharmaceutical industries. We supply garments, other textile and paper products and other accessories through rental and direct purchase programs to businesses, public institutions and individuals.

On December 12, 2013, Aramark's common stock began trading on the New York Stock Exchange under the symbol "ARMK" after its initial public offering ("IPO") of 28,000,000 shares of its common stock at a price of \$20.00 per share (see Note 9).

The consolidated financial statements include the accounts of the Company and all of its subsidiaries in which a controlling financial interest is maintained in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). All significant intercompany transactions and accounts have been eliminated.

**Fiscal Year**

The Company's fiscal year is the fifty-two or fifty-three week period which ends on the Friday nearest September 30th. The fiscal years ended September 30, 2016 and October 2, 2015 were each fifty-two week periods and the fiscal year ended October 3, 2014 was a fifty-three week period.

**New Accounting Standard Updates**

In October 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU") to require entities to recognize the income tax consequences of certain intercompany assets transfers at the transaction date. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In August 2016, the FASB issued an ASU to address the classification of certain cash receipts and cash payments in the Statement of Cash Flows. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In March 2016, the FASB issued an ASU to update several aspects of the accounting for share-based payment transactions, including the income tax consequences and classification of awards. The guidance is effective for the Company in the first quarter of fiscal 2018 and early adoption is permitted. The Company expects to adopt the provisions of this ASU beginning in its first quarter of fiscal 2017. As required under the update, the Company will prospectively adopt the provisions of this guidance related to the recognition of the excess tax benefits or deficiencies in the Consolidated Statement of Income. The Company will retrospectively adopt the provisions related to the changes to the Consolidated Statement of Cash Flows for all periods presented. The Company does not expect the provisions to have a material impact on its consolidated financial statements except for the income tax impact, which will be dependent on the volume of future option exercise and award vesting activity.

In February 2016, the FASB issued an ASU requiring lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and to disclose key information about lease arrangements. The guidance is effective for the Company in the first quarter of fiscal 2020 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

## ARAMARK AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In January 2016, the FASB issued an ASU to address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In November 2015, the FASB issued an ASU to simplify the presentation of deferred income taxes to require all deferred tax liabilities and assets to be classified as noncurrent in a classified statement of financial position. The Company early adopted the guidance in the second quarter of fiscal 2016 on a prospective basis, resulting in a reclassification of approximately \$18.1 million from "Accrued expenses and other current liabilities" to "Deferred Income Taxes and Other Noncurrent Liabilities" in the Consolidated Balance Sheet.

In July 2015, the FASB issued an ASU which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. The guidance is effective for the Company in the first quarter of fiscal 2018 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In April 2015, the FASB issued an ASU on debt issuance costs which requires presentation on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts, and will no longer be recorded as a separate asset. The Company early adopted the retrospective guidance in the first quarter of fiscal 2016 and approximately \$27.7 million of debt issuance costs were reclassified from "Other Assets" to "Long-Term Borrowings" in the Consolidated Balance Sheet as of October 2, 2015.

In June 2014, the FASB issued an ASU on stock compensation which requires that a performance target affecting vesting and that could be achieved after the requisite service period be treated as a performance condition. The guidance is effective for the Company beginning in the first quarter of fiscal 2017. The Company does not expect the pronouncement to have a material impact on the consolidated financial statements.

In May 2014, the FASB issued an ASU on revenue from contracts with customers which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. In July 2015, the FASB voted to defer the effective date of the new revenue standard by one year, but to permit entities to adopt one year earlier if they choose (i.e., the original effective date). The guidance is effective for the Company beginning in the first quarter of fiscal 2019. As the new standard will supersede most existing revenue guidance affecting the Company, it could impact revenue and cost recognition on contracts across all reportable segments. The Company has been closely monitoring the FASB activity related to the new standard and begun work to conclude on specific interpretative issues. The Company has also made progress on a comprehensive contract review project in order to develop a full understanding of the adoption impact on the consolidated financial statements.

In January 2014, the FASB issued an ASU which states that companies should not account for certain service concession arrangements with public-sector entities as leases and should not recognize the related infrastructure as property, plant and equipment. The Company adopted the guidance in the first quarter of fiscal 2016 which did not have a material impact on the consolidated financial statements.

#### **Revenue Recognition**

The Company recognizes sales when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed and determinable and collectability is reasonably assured. In each of the Company's operating segments, sales are recognized in the period in which services are provided pursuant to the terms of the Company's contractual relationships with its clients. The Company generally records sales on food and support services contracts (both profit and loss contracts and client interest contracts) on a gross basis as the Company is the primary obligor and service provider.

Certain profit and loss contracts include commissions paid to the client, typically calculated as a fixed or variable percentage of various categories of sales. In some cases these contracts require minimum guaranteed commissions. Commissions paid to clients are recorded in "Cost of services provided."

Sales from client interest contracts are generally comprised of amounts billed to clients for food, labor and other costs that the Company incurs, controls and pays for. Sales from client interest contracts also include any associated management fees, client subsidies or incentive fees based upon the Company's performance under the contract. Sales from direct marketing activities are recognized upon shipment. All sales related taxes are presented on a net basis.

#### **Vendor Consideration**

Consideration received from vendors includes rebates, allowances and volume discounts and are accounted for as an adjustment to the cost of the vendors' products or services and are reported as a reduction of "Cost of services provided," "Inventory," or "Property and Equipment." Income from rebates, allowances and volume discounts is recognized based on actual purchases in the fiscal period relative to total actual or forecasted purchases to be made over the contractual rebate period agreed to with the vendor. Rebates, allowances and volume discounts related to Inventory held at the balance sheet date are deducted from the



**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

carrying value of these inventories. Rebates, allowances and volume discounts related to "Property and Equipment" are deducted from the costs capitalized.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could materially differ from those estimates.

**Comprehensive Income**

Comprehensive income includes all changes to stockholders' equity during a period, except those resulting from investments by and distributions to stockholders. Components of comprehensive income include net income (loss), changes in foreign currency translation adjustments (net of tax), pension plan adjustments (net of tax), changes in the fair value of cash flow hedges (net of tax) and changes to the share of any equity investees' comprehensive income (net of tax).

The summary of the components of comprehensive income (loss) is as follows (in thousands):

	Fiscal Year Ended								
	September 30, 2016			October 2, 2015			October 3, 2014		
	Pre-Tax Amount	Tax Effect	After- Tax Amount	Pre-Tax Amount	Tax Effect	After- Tax Amount	Pre-Tax Amount	Tax Effect	After- Tax Amount
Net income			\$288,232			\$236,976			\$149,459
Pension plan adjustments	(37,957)	13,287	(24,670)	2,832	690	3,522	(17,640)	4,044	(13,596)
Foreign currency translation adjustments	18,547	(15,467)	3,080	(50,458)	6,911	(43,547)	(37,246)	5,965	(31,281)
Cash flow hedges:									
Unrealized losses arising during the period	(23,437)	15,011	(8,426)	(58,143)	23,521	(34,622)	(29,201)	11,575	(17,626)
Reclassification adjustments	34,861	(13,677)	21,184	20,143	(8,462)	11,681	25,921	(10,491)	15,430
Share of equity investee's comprehensive income (loss)	(8,282)	2,899	(5,383)	4,148	(1,452)	2,696	—	—	—
Other comprehensive loss	(16,268)	2,053	(14,215)	(81,478)	21,208	(60,270)	(58,166)	11,093	(47,073)
Comprehensive income			274,017			176,706			102,386
Less: Net income attributable to noncontrolling interest			426			1,030			503
Comprehensive income attributable to Aramark stockholders			<u>\$273,591</u>			<u>\$175,676</u>			<u>\$101,883</u>

Accumulated other comprehensive loss consists of the following (in thousands):

	September 30, 2016	October 2, 2015
Pension plan adjustments	\$ (65,267)	\$ (40,597)
Foreign currency translation adjustments	(68,461)	(71,541)
Cash flow hedges	(36,373)	(49,131)
Share of equity investee's accumulated other comprehensive loss	(10,682)	(5,299)
	<u>\$ (180,783)</u>	<u>\$ (166,568)</u>

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Currency Translation**

Gains and losses resulting from the translation of financial statements of non-U.S. subsidiaries are reflected as a component of accumulated other comprehensive income (loss) in stockholders' equity. Transaction gains and losses included in operating results for fiscal 2016, fiscal 2015 and fiscal 2014 were not material.

**Current Assets**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories are valued at the lower of cost (principally the first-in, first-out method) or market. Personalized work apparel, linens and other rental items in service are recorded at cost and are amortized over their estimated useful lives, which primarily range from one to four years. The amortization rates used are based on the Company's specific experience.

The components of inventories are as follows:

	September 30, 2016	October 2, 2015
Food	35.9%	37.2%
Career apparel and linens	60.9%	60.3%
Parts, supplies and novelties	3.2%	2.5%
	100.0%	100.0%

**Property and Equipment**

Property and equipment are stated at cost and are depreciated over their estimated useful lives on a straight-line basis. Gains and losses on dispositions are included in operating results. Maintenance and repairs are charged to current operations, and replacements and significant improvements that extend the useful life of the asset are capitalized. The estimated useful lives for the major categories of property and equipment are 10 to 40 years for buildings and improvements and 3 to 10 years for service equipment and fixtures. Depreciation expense during fiscal 2016, fiscal 2015 and fiscal 2014 was \$234.8 million, \$226.6 million, and \$239.9 million, respectively.

During fiscal 2016, the Company received proceeds of approximately \$9.5 million related to the sale of a building within the FSS North America segment, resulting in a loss of approximately \$5.1 million, which is included in "Cost of services provided" in the Consolidated Statement of Income. During fiscal 2015, the Company recorded an impairment charge of approximately \$8.7 million, which is included in "Cost of services provided" in the Consolidated Statement of Income, to write down the book value of this building to its estimated fair value at the time. Also during fiscal 2015, the Company received proceeds of approximately \$9.8 million related to the sale of another of its buildings within the FSS North America segment, resulting in a gain of approximately \$3.1 million. Also during fiscal 2016, the Company recorded an impairment charge of approximately \$6.0 million, which is included in "Cost of services provided" in the Consolidated Statements of Income, to write off certain idle service equipment in the Uniform segment.

**Other Assets**

The following table presents details of "Other Assets" as presented in the Consolidated Balance Sheets (in thousands):

	September 30, 2016	October 2, 2015
Client contract investments <sup>(1)</sup>	\$ 865,004	\$ 782,670
Miscellaneous investments <sup>(2)</sup>	253,798	214,292
Long-term receivables	72,469	84,477
Computer software costs, net <sup>(3)</sup>	91,760	77,319
Other <sup>(4)</sup>	42,623	28,183
	\$ 1,325,654	\$ 1,186,941

- (1) Client contract investments generally represent a cash payment provided by the Company to help finance improvement or renovation at the facility from which the Company operates. These amounts are amortized over the contract period. If a contract is terminated prior to its maturity date, the Company is reimbursed for the unamortized client contract investment amount. Amortization expense was \$142.5 million, \$128.8 million and \$106.2 million during fiscal 2016, fiscal 2015 and fiscal 2014, respectively.
- (2) Miscellaneous investments represent investments in 50% or less owned entities.
- (3) Computer software costs represent capitalized costs incurred to purchase or develop software for internal use, and are amortized over the estimated useful life of the software, generally a period of three to seven years.
- (4) Other consists of noncurrent deferred tax assets, pension assets and deferred financing costs on certain revolving credit facilities.

## ARAMARK AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's principal equity method investment is its 50% ownership interest in AIM Services Co., Ltd., a Japanese food and support services company (approximately \$181.4 million and \$152.5 million at September 30, 2016 and October 2, 2015, respectively, which is included in "Other Assets" in the Consolidated Balance Sheets). Summarized financial information for AIM Services Co., Ltd. follows (in thousands):

	September 30, 2016	October 2, 2015
Current assets	\$ 362,961	\$ 279,244
Noncurrent assets	153,866	127,158
Current liabilities	290,814	234,305
Noncurrent liabilities	53,998	32,625

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Sales	\$ 1,511,938	\$ 1,377,043	\$ 1,552,250
Gross profit	176,303	152,539	174,194
Net income	35,820	25,747	26,869
Equity in undistributed earnings	15,621	10,700	10,500
Cash distributions	7,296	22,200	6,500

The period to period comparisons of the summarized financial information for AIM Services Co., Ltd., presented in U.S. dollars above, is impacted by currency translation. The Company's equity in undistributed earnings of AIM Services Co., Ltd. is recorded as a reduction of "Cost of services provided" in the Consolidated Statements of Income.

#### Other Accrued Expenses and Liabilities

The following table presents details of "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets (in thousands):

	September 30, 2016	October 2, 2015
Deferred income	\$ 262,976	\$ 248,124
Accrued commissions	79,048	75,460
Accrued taxes	62,510	81,787
Accrued insurance and interest	66,165	58,719
Other	305,317	262,744
	<u>\$ 776,016</u>	<u>\$ 726,834</u>

#### Deferred Income Taxes and Other Noncurrent Liabilities

The following table presents details of "Deferred Income Taxes and Other Noncurrent Liabilities" as presented in the Consolidated Balance Sheets (in thousands):

	September 30, 2016	October 2, 2015
Deferred income tax payable	\$ 608,375	\$ 535,442
Deferred compensation	228,231	232,653
Pension-related liabilities	26,854	9,565
Interest rate swap agreements	34,919	51,762
Other noncurrent liabilities	104,634	107,889
	<u>\$ 1,003,013</u>	<u>\$ 937,311</u>

#### Share-Based Compensation

The Company recognizes compensation cost related to share-based payment transactions in the consolidated financial statements. The cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award). See Note 10 for additional information on share-based compensation.

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Supplemental Cash Flow Information**

(dollars in millions)	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Interest paid	\$ 275.4	\$ 267.9	\$ 348.5
Income taxes paid	55.6	31.5	55.8

Significant noncash activities follow:

- During fiscal 2016, fiscal 2015 and fiscal 2014, the Company executed capital lease transactions. The present value of the future rental obligations was approximately \$36.4 million, \$17.9 million and \$16.6 million for the respective periods, which is included in property and equipment and long-term borrowings.
- During fiscal 2016, fiscal 2015 and fiscal 2014, cashless settlements of the exercise price and related employee minimum tax withholding liabilities of share-based payment awards were approximately \$40.1 million, \$89.6 million and \$116.3 million, respectively.
- During fiscal 2014, obligations related to client contract investments of approximately \$57.2 million were unpaid at October 3, 2014 and included in other assets and accounts payable.

**NOTE 2. ACQUISITIONS AND DIVESTITURES:**

**Acquisitions**

***HPSI***

During the fourth quarter of fiscal 2016, the Company acquired the assets of HPSI, a group purchasing organization, in its FSS North America segment for cash consideration of \$140.0 million. The sales, net income, assets and liabilities of HPSI did not have a material impact on the Company's consolidated financial statements.

***Avoca Handweavers Limited***

During the second quarter of fiscal 2016, the Company completed the purchase of Avoca Handweavers Limited ("Avoca"), an Irish retail and cafe business, for cash consideration of approximately \$65.8 million (approximately \$59.2 million, net of cash acquired). The sales, net income, assets and liabilities of Avoca did not have a material impact on the Company's consolidated financial statements.

**Divestitures**

During the fourth quarter of fiscal 2015, the Company announced it had made the decision to exit certain operations within the FSS International segment. The Company expects to exit these operations in the first half of fiscal 2017. As a result of this action, the Company incurred charges of approximately \$0.6 million and \$14.6 million during fiscal 2016 and fiscal 2015, respectively. For fiscal 2015, these charges consisted of severance charges (approximately \$4.4 million), asset write-downs (approximately \$8.0 million) and certain other exit costs (approximately \$2.2 million). The Company recorded these charges in "Cost of services provided" in the Consolidated Statements of Income.

***Aramark India Private Limited***

During the second quarter of fiscal 2015, the Company completed the sale of Aramark India Private Limited ("India"), resulting in a pretax loss of approximately \$4.3 million (after tax gain of approximately \$1.8 million due to the tax basis exceeding the book basis of the subsidiary), which is included in "Cost of services provided" in the Consolidated Statements of Income for fiscal 2015. The Company did not receive any proceeds from the sale of its India subsidiary. The results of operations and cash flows associated with the India subsidiary divestiture were not material to the Company's Consolidated Statements of Income and Cash Flows.

***McKinley Chalet Hotel***

During the first quarter of fiscal 2014, the Company completed the sale of its McKinley Chalet Hotel (the "Chalet") located adjacent to Denali National Park for approximately \$24.0 million in cash. The transaction resulted in a pretax loss of approximately \$6.7 million (net of tax loss of approximately \$9.1 million), which is included in "Cost of services provided" in the Consolidated Statements of Income for fiscal 2014. The pretax loss includes a write-off of an allocation of goodwill of approximately \$12.8 million. The results of operations and cash flows associated with the Chalet divestiture were not material to the Company's Consolidated Statements of Income and Cash Flows.

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3. SEVERANCE AND ASSET WRITE-DOWNS:**

During fiscal 2014, as a result of additional cost saving and refinements and the continuation of productivity initiatives to the Company's original plans developed in fiscal 2013 for consolidation and centralization initiatives and actual attrition of the workforce, the Company recorded net severance charges of approximately \$21.3 million.

During fiscal 2015, as part of the next phase related to streamlining and improving the efficiency and effectiveness of the Company's selling, general and administrative functions, the Company incurred net severance charges of approximately \$23.1 million (exclusive of the severance charges incurred related to the exit of certain operations within the FSS International segment- see Note 2). In addition, during fiscal 2015, the Company recorded charges of approximately \$6.0 million to write-off service equipment from the decline in its Canadian remote services business within its FSS North America segment, which is included in "Cost of services provided" in the Consolidated Statements of Income.

During fiscal 2016, the Company continued and refined its focus on streamlining and improving the efficiency and effectiveness of its selling, general and administrative functions. As a result, the Company recorded net severance charges of approximately \$24.9 million during fiscal 2016.

The following table summarizes the unpaid obligations for severance and related costs as of September 30, 2016, which are included in "Accrued payroll and related expenses" in the Consolidated Balance Sheets. The unpaid obligations are expected to be paid during fiscal 2017.

<i>(in millions)</i>	October 2, 2015	Net Charges	Payments and Other	September 30, 2016
Severance and Related Costs Accrual	\$26.0	24.9	(24.8)	\$26.1

**NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS:**

Goodwill represents the excess of the fair value of consideration paid for an acquired entity over the fair value of assets acquired and liabilities assumed in a business combination. Goodwill is not amortized and is subject to an impairment test that the Company conducts annually, or more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists, using discounted cash flows. The Company performs its assessment of goodwill at the reporting unit level. Within the FSS International segment, each country is evaluated separately since such operating units are relatively autonomous and separate goodwill balances have been recorded for each entity. The Company has completed its annual goodwill impairment test for fiscal 2016, which determined goodwill was not impaired. The Company performs its annual impairment test as of the end of the fiscal month of August.

Goodwill, allocated by segment, is as follows (in thousands):

<u>Segment</u>	<u>October 2, 2015</u>	<u>Acquisitions</u>	<u>Translation</u>	<u>September 30, 2016</u>
FSS North America	\$ 3,583,365	\$ 52,245	\$ 4	\$ 3,635,614
FSS International	400,824	40,432	(22,768)	418,488
Uniform	574,779	—	—	574,779
	<u>\$ 4,558,968</u>	<u>\$ 92,677</u>	<u>\$ (22,764)</u>	<u>\$ 4,628,881</u>

Other intangible assets consist of (in thousands):

	<u>September 30, 2016</u>			<u>October 2, 2015</u>		
	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Net Amount</u>	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Net Amount</u>
Customer relationship assets	\$ 1,793,739	\$ (1,462,058)	\$ 331,681	\$ 1,859,689	\$ (1,494,885)	\$ 364,804
Trade names	781,835	(1,633)	780,202	748,809	(1,633)	747,176
	<u>\$ 2,575,574</u>	<u>\$ (1,463,691)</u>	<u>\$ 1,111,883</u>	<u>\$ 2,608,498</u>	<u>\$ (1,496,518)</u>	<u>\$ 1,111,980</u>

During the second quarter of fiscal 2016, as part of the Avoca acquisition, the Company acquired a trade name with a value of approximately \$14.5 million. During the fourth quarter of fiscal 2016, as part of the HPSI acquisition, the Company acquired, with preliminary values, a trade name of approximately \$21.1 million and customer relationship assets of approximately \$64.0 million. Acquisition-related intangible assets consist of customer relationship assets and the Aramark, Avoca, HPSI and other trade names. Customer relationship assets are being amortized principally on a straight-line basis over the expected period of

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

benefit, 3 to 24 years, with a weighted average life of approximately 13 years. The Aramark, Avoca and HPSI trade names are indefinite lived intangible assets and are not amortizable but are evaluated for impairment at least annually. The Company completed its annual trade name impairment test for fiscal 2016, which did not result in an impairment charge. Amortization of intangible assets for fiscal 2016, fiscal 2015 and fiscal 2014 was approximately \$99 million, \$133 million and \$158 million, respectively.

Based on the recorded balances at September 30, 2016, total estimated amortization of all acquisition-related intangible assets for fiscal years 2017 through 2021 follows (in thousands):

2017	\$	83,493
2018		60,205
2019		49,469
2020		47,754
2021		39,212

**NOTE 5. BORROWINGS:**

Long-term borrowings, net, are summarized in the following table (in thousands):

	September 30, 2016	October 2, 2015
Senior secured revolving credit facility, due February 2019	\$ —	\$ 70,000
Senior secured term loan facility, due July 2016	—	74,130
Senior secured term loan facility, due September 2019	840,305	1,189,371
Senior secured term loan facility, due February 2021	2,450,749	2,489,235
5.75% senior notes, due March 2020	227,032	990,540
5.125% senior notes, due January 2024	905,095	—
4.75% senior notes, due June 2026	492,886	—
Receivables Facility, due May 2019	268,000	350,000
Capital leases	78,615	57,660
Other	7,354	45,088
	<u>5,270,036</u>	<u>5,266,024</u>
Less—current portion	(46,522)	(81,427)
	<u>\$ 5,223,514</u>	<u>\$ 5,184,597</u>

As of September 30, 2016, there was approximately \$379.0 million of outstanding foreign currency borrowings.

**Senior Secured Credit Agreement**

***Senior Secured Term Loan Facilities***

The senior secured term loan facilities consist of the following subfacilities as of September 30, 2016:

- A U.S. dollar denominated term loan to Aramark Services, Inc. in the amount of \$840.3 million (due 2019) and \$2,079.1 million (due 2021);
- A yen denominated term loan to Aramark Services, Inc. in the amount of ¥4,916.3 million (approximately \$48.5 million due 2021);
- A Canadian dollar denominated term loan to a Canadian subsidiary in the amount of CAD33.0 million (approximately \$25.2 million due 2021);
- A euro denominated term loan to an Irish subsidiary in an amount of €136.1 million (approximately \$152.9 million due 2021); and
- A sterling denominated term loan to a U.K. subsidiary in an amount of £111.8 million (approximately \$145.0 million due 2021).

The primary borrower under the senior secured credit facilities is Aramark Services, Inc. (the "Issuer"). In addition, certain subsidiaries of the Issuer are borrowers under certain subfacilities of the term loan facilities and/or the revolving credit facility. The Company is not a guarantor under the senior secured credit facilities and is not subject to the covenants or obligations under the senior secured credit agreement.



**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***Senior Secured Revolving Credit Facility***

The senior secured revolving credit facility consists of the following subfacilities as of September 30, 2016:

- A revolving credit facility available for loans in U.S. dollars to the Issuer with aggregate commitments of \$680.0 million (due February 24, 2019); and
- A revolving credit facility available for loans in Canadian dollars or U.S. dollars to the Issuer or a Canadian subsidiary with aggregate commitments of \$50.0 million (due February 24, 2019).

***Senior Secured Credit Agreement, as Amended***

All U.S. dollar denominated term loans have an applicable margin of 2.50% for eurocurrency (LIBOR) borrowings, subject to a LIBOR floor of 0.75%, and an applicable margin of 1.50% for base-rate borrowings, subject to a minimum base rate of 1.75%. The yen denominated and euro denominated term loans have an applicable margin of 2.75%, subject to a LIBOR floor of 0.75%, and the sterling denominated terms loans have an applicable margin of 3.25%, subject to a LIBOR floor of 0.75%. The applicable margin spread for the U.S. dollar borrowings under the \$680.0 million of extended revolving credit commitments is 2.50% with respect to LIBOR borrowings and 1.50% with respect to base rate borrowings. The applicable margin spread for Canadian dollar borrowings under the revolving credit facility are for BA (bankers' acceptance) rate borrowings and 1.50% for base rate borrowings. U.S. and Canadian swingline loans must be base rate borrowings. The term loans due on February 24, 2021 were borrowed with an original issue discount of 0.50%. The term loans due on September 7, 2019 were borrowed with an original issue discount of 0.25%.

In addition to paying interest on outstanding principal, the Company is required to pay a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments thereunder. The commitment fee rate is 0.50% per annum.

The Company's revolving credit facility includes a \$250.0 million sublimit for letters of credit and includes borrowing capacity available for short-term borrowings referred to as swingline loans subject to a sublimit.

The senior secured credit facilities provide that the Company has the right at any time to request up to \$555.0 million of incremental commitments in the aggregate under one or more incremental term loan facilities and/or synthetic letter of credit facilities and/or revolving credit facilities and/or by increasing commitments under the revolving credit facility. The lenders under these facilities are not under any obligation to provide any such incremental facilities or commitments, and any such addition of or increase in facilities or commitments will be subject to pro forma compliance with an incurrence-based financial covenant and customary conditions precedent. Our ability to obtain extensions of credit under these incremental facilities or commitments is subject to the same conditions as extensions of credit under the existing credit facilities.

The Company recorded charges to "Interest and Other Financing Costs, net" in the Consolidated Statements of Income during fiscal 2014 consisting of \$13.1 million of third-party costs and \$12.6 million of non-cash charges for the write-off of deferred financing costs and original issue discount related to senior secured credit agreement refinancing activity during fiscal 2014.

As of September 30, 2016, there was approximately \$713.5 million available for borrowing under the revolving credit facility.

***Prepayments and Amortization***

The senior secured credit agreement requires us to prepay outstanding term loans, subject to certain exceptions, with:

- 50% of the Issuer's annual excess cash flow (as defined in the senior secured credit agreement) with stepdowns to 25% and 0% upon the Issuer's reaching certain consolidated leverage ratio thresholds;
- 100% of the net cash proceeds of all nonordinary course asset sales or other dispositions of property subject to certain exceptions and customary reinvestment rights; and
- 100% of the net cash proceeds of any incurrence of debt, including debt incurred by any business securitization subsidiary in respect of any business securitization facility, but excluding proceeds from the receivables facilities and other debt permitted under the senior secured credit agreement.

The foregoing mandatory prepayments will be applied to the term loan facilities as directed by us. The Company may voluntarily repay outstanding loans under the senior secured credit facilities at any time without premium or penalty, other than customary "breakage" costs with respect to LIBOR loans. Prepaid term loans may not be reborrowed.

During the first quarter of fiscal 2016, the Company repaid a U.S. dollar denominated term loan of a Canadian subsidiary, due July 2016, that had been borrowed under the Company's senior secured credit agreement in the amount of \$74.1 million. The Company made optional prepayments of approximately \$160.0 million and \$157.0 million of outstanding U.S. dollar term loans, during fiscal 2016 and fiscal 2015, respectively.

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

If a change of control as defined in the senior secured credit agreement occurs, this will cause an event of default under the credit agreement. Upon an event of default, the senior secured credit facilities may be accelerated, in which case the Company would be required to repay all outstanding loans plus accrued and unpaid interest and all other amounts outstanding under the senior secured credit facilities.

The Company is required to repay installments on the loans under the term loan facilities in quarterly principal amounts of 1.00% per annum of their funded total principal amount. This requirement does not apply to the 2019 Term Loans due to the principal prepayments made by the Company.

***Guarantees and Certain Covenants***

All obligations under the senior secured credit agreement are unconditionally guaranteed by Aramark Intermediate HoldCo Corporation and, subject to certain exceptions, substantially all of the Issuer's existing and future domestic subsidiaries (excluding certain immaterial and dormant subsidiaries, receivables facility subsidiaries, business securitization subsidiaries and certain subsidiaries designated under our senior secured credit agreement as "unrestricted subsidiaries"), referred to, collectively, as U.S. Guarantors. All obligations of each foreign borrower under the senior secured credit facilities are unconditionally guaranteed by the Issuer, the U.S. guarantors and, subject to certain exceptions and qualifications, the respective other foreign borrowers. All obligations under the senior secured credit facilities, and the guarantees of those obligations, are secured by (i) a pledge of 100% of the capital stock of the Issuer, (ii) pledges of 100% of the capital stock held by the Issuer, Aramark Intermediate HoldCo Corporation or any of the U.S. Guarantors and (iii) a security interest in, and mortgages on, substantially all tangible assets of Aramark Intermediate HoldCo Corporation, the Issuer or any of the U.S. Guarantors.

The senior secured credit agreement contains a number of covenants that, among other things, restrict, subject to certain exceptions, the Issuer's ability and the ability of its restricted subsidiaries to: incur additional indebtedness; issue preferred stock or provide guarantees; create liens on assets; engage in mergers or consolidations; sell assets; pay dividends, make distributions or repurchase its capital stock; make investments, loans or advances; repay or repurchase any notes, except as scheduled or at maturity; create restrictions on the payment of dividends or other transfers to the Issuer from its restricted subsidiaries; make certain acquisitions; engage in certain transactions with affiliates; amend material agreements governing the Issuer's outstanding notes (or any indebtedness that refinances the notes); and fundamentally change the Issuer's business. In addition, the senior secured revolving credit facility requires the Issuer to maintain a maximum senior secured leverage ratio and imposes limitations on capital expenditures. The senior secured credit agreement also contains certain customary affirmative covenants, such as financial and other reporting, and certain events of default. At September 30, 2016, the Issuer was in compliance with all of these covenants.

The senior secured credit agreement requires the Issuer to maintain a maximum Consolidated Secured Debt Ratio, defined as consolidated total indebtedness secured by a lien to Covenant Adjusted EBITDA, of 5.125x. Consolidated total indebtedness secured by a lien is defined in the senior secured credit agreement as total indebtedness outstanding under the senior secured credit agreement, capital leases, advances under the Receivables Facility and any other indebtedness secured by a lien reduced by the lesser of the amount of cash and cash equivalents on the consolidated balance sheet that is free and clear of any lien and \$75 million. Non-compliance with the maximum Consolidated Secured Debt Ratio could result in the requirement to immediately repay all amounts outstanding under the senior secured credit agreement, which, if the Issuer's revolving credit facility lenders failed to waive any such default, would also constitute a default under the indentures governing the senior notes. The actual ratio at September 30, 2016 was 2.64x.

The senior secured credit agreement establishes an incurrence-based minimum Interest Coverage Ratio, defined as Covenant Adjusted EBITDA to consolidated interest expense, as a condition for the Issuer and its restricted subsidiaries to incur additional indebtedness and to make certain restricted payments. The minimum Interest Coverage Ratio is 2.00x for the term of the senior secured credit agreement. If the Issuer does not maintain this minimum Interest Coverage Ratio calculated on a pro forma basis for any such additional indebtedness or restricted payments, it could be prohibited from being able to incur additional indebtedness, other than the additional funding provided for under the senior secured credit agreement and pursuant to specified exceptions, and make certain restricted payments, other than pursuant to certain exceptions. Consolidated interest expense is defined in the senior secured credit agreement as consolidated interest expense excluding interest income, adjusted for acquisitions and dispositions, further adjusted for certain non-cash or nonrecurring interest expense and the Issuer's estimated share of interest expense from one equity method investee. The actual ratio was 4.51x for the fiscal year ended September 30, 2016.

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**Senior Notes**

***5.75% Senior Notes due 2020***

On March 7, 2013, the Issuer issued \$1,000 million of 5.75% Senior Notes due March 15, 2020 (the "2020 Notes") pursuant to an indenture, dated as of March 7, 2013 (the "2020 Notes Indenture"), entered into by the Issuer, the Company and certain other Aramark entities, as guarantors of the 2020 Notes, and The Bank of New York Mellon, as trustee. The 2020 Notes were issued at par. The 2020 Notes are unsecured obligations of the Issuer. The 2020 Notes rank equal in right of payment to all of the Issuer's existing and future senior debt and senior in right of payment to all of the Issuer's existing and future debt that is expressly subordinated in right of payment to the 2020 Notes. The 2020 Notes are guaranteed on a senior, unsecured basis by substantially all of the domestic subsidiaries of the Issuer. Interest on the 2020 Notes is payable on March 15 and September 15 of each year. The 2020 Notes and the guarantees thereof are effectively subordinated to the Issuer's existing and future secured debt and that of the existing guarantors to the 2020 Notes, including all indebtedness under our senior secured credit facilities, to the extent of the value of the assets securing that indebtedness. The 2020 Notes and the guarantees thereof are structurally subordinated to all of the liabilities of any of the Issuer's subsidiaries that do not guarantee the 2020 Notes. The Company is a guarantor of the Issuer's obligations with respect to the 2020 Notes.

In the event of certain types of changes of control, the holders of the 2020 Notes may require the Issuer to purchase for cash all or a portion of their 2020 Notes at a purchase price equal to 101% of the principal amount of such 2020 Notes, plus accrued and unpaid interest, if any, to the date of repurchase. Beginning March 15, 2015, the Issuer has the option to redeem all or a portion of the 2020 Notes at any time at the redemption prices set forth in the Indenture.

The 2020 Notes Indenture contains covenants limiting the Issuer's ability and the ability of its restricted subsidiaries to: incur additional indebtedness or issue certain preferred shares; pay dividends and make certain distributions, investments and other restricted payments; create certain liens; sell assets; enter into transactions with affiliates; limit the ability of restricted subsidiaries to make payments to the Issuer; enter into sale and leaseback transactions; merge, consolidate, sell or otherwise dispose of all or substantially all of the Issuer's assets; and designate the Issuer's subsidiaries as unrestricted subsidiaries. The 2020 Notes Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the 2020 Notes to become or to be declared due and payable.

***5.125% Senior Notes due 2024 and 4.75% Senior Notes due 2026***

On December 17, 2015, the Issuer issued \$400 million of 5.125% Senior Notes due January 15, 2024 (the "Original 2024 Notes"), pursuant to an indenture, dated as of December 17, 2015 (the "Base Indenture"), entered into by the Issuer, the Company and certain other Aramark entities, as guarantors of the Original 2024 Notes, and The Bank of New York Mellon, as trustee. The Original 2024 Notes were issued at par and the net proceeds were used for general corporate purposes and to reduce the outstanding balance under the Company's revolving credit facility. The Company paid approximately \$6.0 million in financing fees related to the offering of the Original 2024 Notes.

On May 31, 2016, the Issuer issued \$1,000 million aggregate principal amount of senior unsecured notes, consisting of \$500 million of additional 5.125% Senior Notes due January 15, 2024 (the "New 2024 Notes") and \$500 million of 4.75% Senior Notes due June 1, 2026 (the "2026 Notes" and, together with the New 2024 Notes, the "Issued Notes"). The New 2024 Notes constitute a further issuance of the Original 2024 Notes (together with the New 2024 Notes, the "2024 Notes" and, together with the 2026 Notes, the "Notes"). The New 2024 Notes were issued pursuant to the Base Indenture, as supplemented by the supplemental indenture, dated as of May 31, 2016 (the "Supplemental Indenture" and together with the Base Indenture, the "2024 Notes Indenture"), entered into by the Issuer, the Company and certain other Aramark entities, as guarantors of the New 2024 Notes, and The Bank of New York Mellon, as trustee. The 2026 Notes were issued pursuant to the indenture, dated as of May 31, 2016 (the "2026 Notes Indenture"), entered into by the Issuer, the Company and certain other Aramark entities, as guarantors of the 2026 Notes and The Bank of New York Mellon, as trustee. The New 2024 Notes were issued at a premium of \$18.8 million, which created an effective yield of 4.6%. The premium was recorded to "Long-Term Borrowings" in the Consolidated Balance Sheets and will be amortized to "Interest and Other Financing Costs, net" in the Consolidated Statements of Income until maturity in 2024.

The 2026 Notes were issued at par. The net proceeds from the Issued Notes and premium from the New 2024 Notes were used to repay \$194.1 million of 2019 Term Loans, redeem \$771.2 million principal of the 2020 Notes, pay a \$22.2 million call premium on the 2020 Notes that were redeemed during fiscal 2016, pay \$11.1 million of accrued interest on the 2020 Notes and fees and costs associated with the offering of the Issued Notes. As a result of the issuance of the Issued Notes, the Company recorded charges in fiscal 2016 of approximately \$30.2 million, to "Interest and Other Financing Costs, net" in the Consolidated Statements of Income, consisting of \$22.2 million for the call premium on the 2020 Notes that were redeemed during fiscal 2016 and \$8.0 million of non-cash charges for the write-off of debt issuance costs and debt discount on the 2020 Notes and 2019 Term Loans. The Company also paid approximately \$14.2 million in debt issuance costs spread evenly between the Issued Notes, which were recorded as a reduction to "Long-Term Borrowings" in the Consolidated Balance Sheets.

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The Notes are senior unsecured obligations of the Issuer. The Notes rank equal in right of payment to all of the Issuer's existing and future senior debt and senior in the right of payment to the Issuer's future debt and other obligations that are expressly subordinated in right of payment to the Notes. The Notes are guaranteed on a senior, unsecured basis by the Company and substantially all of the domestic subsidiaries of the Issuer. The Notes and the guarantees thereof are effectively subordinated to all existing and future secured debt of the Issuer and the guarantors, to the extent of the value of the assets securing such debt, and structurally subordinated to all of the liabilities of any of the Issuer's subsidiaries that do not guarantee the Notes. Interest on the 2024 Notes is payable on January 15 and July 15 of each year. Interest on the 2026 Notes is payable on June 1 and December 1 of each year.

The 2024 Notes Indenture and 2026 Notes Indenture contain covenants limiting the Issuer's ability and the ability of its restricted subsidiaries to: incur additional indebtedness or issue certain preferred shares; pay dividends and make certain distributions, investments and other restricted payments; create certain liens; sell assets; enter into transactions with affiliates; limit the ability of restricted subsidiaries to make payments to the Issuer; enter into sale and leaseback transactions; merge, consolidate, sell or otherwise dispose of all or substantially all of the Issuer's assets; and designate the Issuer's subsidiaries as unrestricted subsidiaries. They also provide for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the Notes to become or to be declared due and payable.

***Registration Rights Agreement***

On May 31, 2016, the Issuer, the Company and the other guarantors entered into a registration rights agreement (the "New 2024 Notes Registration Rights Agreement") with Wells Fargo Securities, LLC, as representative of the several initial purchasers, with respect to the New 2024 Notes and a registration rights agreement (the "2026 Notes Registration Rights Agreement" and together with the New 2024 Notes Registration Agreement, the "Registration Rights Agreements") with Wells Fargo Securities, LLC, as representative of several initial purchasers, with respect to the 2026 Notes. In each of the Registration Rights Agreements, the Issuer agreed to use commercially reasonable efforts to (1) file an exchange offer registration statement pursuant to which the Issuer will offer exchange notes with terms identical in all material respects to, and evidencing the same indebtedness as, the applicable series of Issued Notes, in exchange for such series of Issued Notes (but which exchange notes will not contain terms with respect to transfer restrictions, registration rights or provide for the additional interest described below); and (2) cause the exchange offer registration statement to be declared effective under the Securities Act of 1933, as amended. The Issuer has agreed to use commercially reasonable efforts to cause the exchange offers to be consummated or, if required, to have one or more shelf registration statements declared effective, within 270 days after the issue date of the Issued Notes.

If the Company fails to satisfy this obligation (a "registration default"), the annual interest rate on the New 2024 Notes or the 2026 Notes, as applicable, will increase by 0.25%. The annual interest rate on the New 2024 Notes or the 2026 Notes, as applicable, will increase by an additional 0.25% for each subsequent 90-day period during which the registration default continues, up to a maximum additional interest rate of 1.00% per year over the applicable interest rate in the 2024 Notes Indenture or 2026 Notes Indenture, as applicable. If the registration default is corrected, the applicable interest rate on the New 2024 Notes or the 2026 Notes, as applicable, will revert to the original level.

**Future Maturities and Interest and Other Financing Costs, net**

At September 30, 2016, annual maturities on long-term borrowings maturing in the next five fiscal years and thereafter (excluding the \$46.3 million reduction to long-term borrowings from debt discounts and deferred financing fees and the increase of \$17.8 million from the premium on the New 2024 Notes) are as follows (in thousands):

2017	\$	46,522
2018		45,074
2019		1,149,437
2020		272,674
2021		2,376,707
Thereafter		1,408,181

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The components of interest and other financing costs, net, are summarized as follows (in thousands):

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Interest expense	\$ 315,166	\$ 286,261	\$ 334,442
Interest income	(5,288)	(4,932)	(4,338)
Other financing costs	5,505	4,613	4,782
Total	<u>\$ 315,383</u>	<u>\$ 285,942</u>	<u>\$ 334,886</u>

**NOTE 6. DERIVATIVE INSTRUMENTS:**

The Company enters into contractual derivative arrangements to manage changes in market conditions related to interest on debt obligations, foreign currency exposures and exposure to fluctuating gasoline and diesel fuel prices. Derivative instruments utilized during the period include interest rate swap agreements, foreign currency forward exchange contracts, and gasoline and diesel fuel agreements. All derivative instruments are recognized as either assets or liabilities on the balance sheet at fair value at the end of each quarter. The counterparties to the Company's contractual derivative agreements are all major international financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The Company continually monitors its positions and the credit ratings of its counterparties, and does not anticipate nonperformance by the counterparties. For designated hedging relationships, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

**Cash Flow Hedges**

The Company has \$2.4 billion notional amount of outstanding interest rate swap agreements, fixing the rate on a like amount of variable rate borrowings. During fiscal 2016, \$0.5 billion of interest rate swap agreements matured.

Changes in the fair value of a derivative that is designated as and meets all the required criteria for a cash flow hedge are recorded in accumulated other comprehensive income (loss) and reclassified into earnings as the underlying hedged item affects earnings. As of September 30, 2016 and October 2, 2015, approximately (\$36.4) million and (\$43.3) million of unrealized net of tax losses related to the interest rate swaps were included in "Accumulated other comprehensive loss," respectively. The hedge ineffectiveness for these cash flow hedging instruments during fiscal 2016, fiscal 2015 and fiscal 2014 was not material.

During the first quarter of fiscal 2016, the Company repaid a U.S. dollar denominated term loan of a Canadian subsidiary in the amount of \$74.1 million. As a result of this repayment, the Company terminated its \$74.1 million of outstanding amortizing cross currency swap agreements, which resulted in a pre-tax charge of approximately \$1.1 million recorded to "Interest and Other Financing Costs, net" in the Consolidated Statements of Income. The termination of these agreements resulted in the Company receiving \$5.7 million of proceeds.

The following table summarizes the effect of our derivatives designated as cash flow hedging instruments (effective portion) on Other comprehensive loss (in thousands):

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Interest rate swap agreements	\$ (21,321)	\$ (70,455)	\$ (30,099)
Cross currency swap agreements	(2,116)	12,312	898
	<u>\$ (23,437)</u>	<u>\$ (58,143)</u>	<u>\$ (29,201)</u>

**Derivatives not Designated in Hedging Relationships**

The Company entered into a series of pay fixed/receive floating gasoline and diesel fuel agreements based on the Department of Energy weekly retail on-highway index in order to limit its exposure to price fluctuations for gasoline and diesel fuel. During fiscal 2016, the Company entered into contracts for approximately 34.7 million gallons. As of September 30, 2016, the Company has contracts for approximately 32.6 million gallons outstanding for fiscal 2017 and fiscal 2018. The Company does not record its gasoline and diesel fuel agreements as hedges for accounting purposes. The impact on earnings related to the change in fair value of these unsettled contracts was a gain of approximately \$8.1 million and a loss of approximately (\$2.6) million for fiscal 2016 and fiscal 2015, respectively. The impact on earnings related to the change in fair value of these

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contracts for fiscal 2014 was not material. The change in fair value for unsettled contracts is included in "Selling and general corporate expenses" in the Consolidated Statements of Income. When the contracts settle, the gain or loss is recorded to "Costs of services provided" in the Consolidated Statements of Income.

As of September 30, 2016, the Company had foreign currency forward exchange contracts outstanding with notional amounts of €59.5 million, £72.3 million and CAD132.5 million to mitigate the risk of changes in foreign currency exchange rates on short-term intercompany loans to certain international subsidiaries. Gains and losses on these foreign currency exchange contracts are recognized in income as the contracts were not designated as hedging instruments, substantially offsetting currency transaction gains and losses on the short-term intercompany loans.

The following table summarizes the location and fair value, using Level 2 inputs (see Note 16 for a description of the fair value levels), of the Company's derivatives designated and not designated as hedging instruments in the Consolidated Balance Sheets (in thousands):

	Balance Sheet Location	September 30, 2016	October 2, 2015
<b>ASSETS</b>			
<i>Designated as hedging instruments:</i>			
Cross currency swap agreements	Prepayments and other current assets	\$ —	\$ 7,523
<i>Not designated as hedging instruments:</i>			
Gasoline and diesel fuel agreements	Prepayments and other current assets	3,878	—
		<u>\$ 3,878</u>	<u>\$ 7,523</u>
<b>LIABILITIES</b>			
<i>Designated as hedging instruments:</i>			
Interest rate swap agreements	Accrued Expenses	\$ 5,929	\$ 6,086
Interest rate swap agreements	Other Noncurrent Liabilities	34,919	51,762
		<u>\$ 40,848</u>	<u>\$ 57,848</u>
<i>Not designated as hedging instruments:</i>			
Foreign currency forward exchange contracts	Accounts Payable	\$ 447	\$ 922
Gasoline and diesel fuel agreements	Accounts Payable	—	4,419
		<u>\$ 41,295</u>	<u>\$ 63,189</u>



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The following table summarizes the location of (gain) loss reclassified from "Accumulated other comprehensive loss" into earnings for derivatives designated as hedging instruments and the location of (gain) loss for our derivatives not designated as hedging instruments in the Consolidated Statements of Income (in thousands):

	Income Statement Location	Fiscal Year Ended		
		September 30, 2016	October 2, 2015	October 3, 2014
<i>Designated as hedging instruments:</i>				
Interest rate swap agreements	Interest Expense	\$ 32,800	\$ 31,367	\$ 31,511
Cross currency swap agreements	Interest Expense	2,061	(11,224)	(5,590)
		<u>\$ 34,861</u>	<u>\$ 20,143</u>	<u>\$ 25,921</u>
<i>Not designated as hedging instruments:</i>				
Cross currency swap agreements	Interest Expense	\$ —	\$ —	\$ (5,111)
Gasoline and diesel fuel agreements	Cost of services provided	(685)	8,512	1,696
Foreign currency forward exchange contracts	Interest Expense	(8,847)	(4,821)	3,644
		<u>\$ (9,532)</u>	<u>\$ 3,691</u>	<u>\$ 229</u>
		<u>\$ 25,329</u>	<u>\$ 23,834</u>	<u>\$ 26,150</u>

The Company has a Japanese yen denominated term loan in the amount of ¥4,916.3 million. The term loan was designated as a hedge of the Company's net Japanese currency exposure represented by the equity investment in our Japanese affiliate, AIM Services Co., Ltd.

At September 30, 2016, the net of tax loss expected to be reclassified from "Accumulated other comprehensive loss" into earnings over the next twelve months based on current market rates is approximately \$12.5 million.

**NOTE 7. EMPLOYEE PENSION AND PROFIT SHARING PLANS:**

In the United States, the Company maintains qualified contributory and non-contributory defined contribution retirement plans for eligible employees, with Company contributions to the plans based on earnings performance or salary level. The Company also has a non-qualified retirement savings plan for certain employees. The total expense of the above plans for fiscal 2016, fiscal 2015 and fiscal 2014 was \$32.4 million, \$29.0 million and \$27.7 million, respectively. The Company also maintains similar contributory and non-contributory defined contribution retirement plans at several of its international operations, primarily in Canada and the United Kingdom. The total expense of these international plans for fiscal 2016, fiscal 2015 and fiscal 2014 was \$9.4 million, \$8.5 million and \$9.6 million, respectively.

The following table sets forth the components of net periodic pension cost for the Company's single-employer defined benefit pension plans for fiscal 2016, fiscal 2015 and fiscal 2014 (in thousands):

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Service cost	\$ 7,850	\$ 9,478	\$ 9,550
Interest cost	11,041	12,367	13,571
Expected return on plan assets	(17,679)	(16,970)	(16,544)
Settlements	159	52	527
Amortization of prior service cost	107	165	52
Recognized net loss	1,504	1,658	1,131
Net periodic pension cost	<u>\$ 2,982</u>	<u>\$ 6,750</u>	<u>\$ 8,287</u>

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The following table set forth changes in the projected benefit obligation and the fair value of plan assets for these plans (in thousands):

<b>Change in benefit obligation:</b>	<b>September 30, 2016</b>	<b>October 2, 2015</b>
Benefit obligation, beginning	\$ 302,087	\$ 326,729
Foreign currency translation	(18,867)	(34,384)
Service cost	7,850	9,478
Interest cost	11,041	12,367
Employee contributions	2,233	2,597
Actuarial loss (gain)	51,620	(252)
Benefits paid	(16,106)	(14,256)
Settlements and curtailments	(545)	(192)
Benefit obligation, ending	<u>\$ 339,313</u>	<u>\$ 302,087</u>
<b>Change in plan assets:</b>		
Fair value of plan assets, beginning	\$ 304,376	\$ 276,934
Foreign currency translation	(17,841)	(31,144)
Employer contributions	25,404	59,155
Employee contributions	2,233	2,597
Actual return on plan assets	22,464	11,321
Benefits paid	(16,106)	(14,256)
Settlements	(545)	(231)
Fair value of plan assets, end	<u>\$ 319,985</u>	<u>\$ 304,376</u>
Funded Status at end of year	<u>\$ (19,328)</u>	<u>\$ 2,289</u>

Amounts recognized in the Consolidated Balance Sheets consist of the following (in thousands):

	<b>September 30, 2016</b>	<b>October 2, 2015</b>
Noncurrent benefit asset (included in Other Assets)	\$ 6,452	\$ 5,548
Noncurrent benefit liability (included in Other Noncurrent Liabilities)	(25,780)	(3,259)
Net actuarial loss (included in Accumulated other comprehensive (income) loss before taxes)	100,265	62,308
Prior service cost (included in Accumulated other comprehensive (income) loss before taxes)	21	26

The following weighted average assumptions were used to determine pension expense of the respective fiscal years:

	<b>September 30, 2016</b>	<b>October 2, 2015</b>
Discount rate	3.8%	4.0%
Rate of compensation increase	3.2%	3.3%
Long-term rate of return on assets	6.2%	6.6%

The following weighted average assumptions were used to determine the funded status of the respective fiscal years:

	<b>September 30, 2016</b>	<b>October 2, 2015</b>
Discount rate	3.3%	3.9%
Rate of compensation increase	3.3%	3.2%

Assumptions, including discount rate, expected return on assets, compensation increases and health care trends, are adjusted annually, as necessary, based on prevailing market conditions and actual experience. The Company has elected to use a spot-rate approach for the discount rate used in the calculation of pension interest and service cost for fiscal 2017 and beyond. The spot-rate approach applies separate discount rates for each projected benefit payment in the calculation. Historically, the

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Company used a weighted-average approach to determine the appropriate discount rate. The impact of the change is not material to the consolidated financial statements.

The accumulated benefit obligation as of September 30, 2016 was \$316.5 million. During fiscal 2016, actuarial losses of approximately \$39.6 million were recognized in other comprehensive loss (before taxes) and \$1.6 million of amortization of actuarial losses was recognized as net periodic pension cost during such period. The estimated portion of net actuarial loss included in accumulated other comprehensive income (loss) as of September 30, 2016 expected to be recognized in net periodic pension cost during fiscal 2017 is approximately \$4.3 million (before taxes).

The accumulated benefit obligation as of October 2, 2015 was \$279.6 million. During fiscal 2015, actuarial losses of approximately \$5.0 million were recognized in other comprehensive (loss) (before taxes) and \$1.6 million of amortization of actuarial losses was recognized as net periodic pension cost during such period.

The following table sets forth information for the Company's single-employer pension plans with an accumulated benefit obligation in excess of plan assets as of September 30, 2016 and October 2, 2015 (in thousands):

	September 30, 2016	October 2, 2015
Projected benefit obligation	\$ 139,088	\$ 23,475
Accumulated benefit obligation	136,605	21,871
Fair value of plan assets	113,710	8,717

The significant change for the accumulated benefit obligation in excess of plan assets between years relates to the U.K. plan.

Assets of the plans are invested with the goal of principal preservation and enhancement over the long-term. The primary goal is total return, consistent with prudent investment management. The Company's investment policies also require an appropriate level of diversification across the asset categories. The current overall capital structure and targeted ranges for asset classes are 50-70% invested in equity securities, 25-50% invested in debt securities and 0-5% in real estate investments. Performance of the plans is monitored on a regular basis and adjustments of the asset allocations are made when deemed necessary.

The weighted-average long-term rate of return on assets has been determined based on an estimated weighted-average of long-term returns of major asset classes, taking into account historical performance of plan assets, the current interest rate environment, plan demographics, acceptable risk levels and the estimated value of active asset management.

The fair value of plan assets for the Company's defined benefit pension plans as of September 30, 2016 and October 2, 2015 is as follows (see Note 16 for a description of the fair value levels) (in thousands):

	September 30, 2016	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents and other	\$ 21,009	\$ 21,009	\$ —	\$ —
Investment funds:				
Equity funds	173,704	—	173,704	—
Fixed income funds	116,168	—	116,168	—
Real estate	9,104	—	—	9,104
Total	\$ 319,985	\$ 21,009	\$ 289,872	\$ 9,104
	October 2, 2015	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents and other	\$ 44,318	\$ 44,318	\$ —	\$ —
Investment funds:				
Equity funds	154,112	—	154,112	—
Fixed income funds	96,998	—	96,998	—
Real estate	8,948	—	—	8,948
Total	\$ 304,376	\$ 44,318	\$ 251,110	\$ 8,948

The fair value of the investment funds is based on the value of the underlying assets, as reported to the Plan by the trustees. They are comprised of a portfolio of underlying securities that can be valued based on trading information on active markets. Fair value is calculated by applying the Plan's percentage ownership in the fund to the total market value of the account's

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underlying securities, and is therefore categorized as Level 2 as the Plan does not directly own shares in these underlying investments. Investments in equity securities include publicly-traded domestic companies (approximately 30%) and international companies (approximately 70%) that are diversified across industry, country and stock market capitalization. Investments in fixed income securities include domestic (approximately 5%) and international (approximately 95%) corporate bonds and government securities. Substantially all of the real estate investments are in international markets. Cash and cash equivalents include direct cash holdings, which are valued based on cost, and short-term deposits and investments in money market funds for which fair value measurements are all based on quoted prices for similar assets or liabilities in markets that are active.

It is the Company's policy to fund at least the minimum required contributions as outlined in the required statutory actuarial valuation for each plan. The Company made voluntary pension contributions above the minimum required of approximately \$19.8 million and \$45.0 million during fiscal 2016 and fiscal 2015, respectively. The following table sets forth the benefits expected to be paid in the next five fiscal years and in aggregate for the five fiscal years thereafter by the Company's defined benefit pension plans (in thousands):

Fiscal 2017	\$	12,269
Fiscal 2018		12,745
Fiscal 2019		12,969
Fiscal 2020		13,436
Fiscal 2021		14,081
Fiscal 2022 – 2026		75,199

The estimated benefit payments above are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

The expected contributions to be paid to the Company's defined benefit pension plans during fiscal 2017 are approximately \$5.9 million.

#### **Multiemployer Defined Benefit Pension Plans**

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements ("CBA") that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following respects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

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The Company's participation in these plans for fiscal 2016 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2016 and 2015 is for the plans' two most recent fiscal year-ends. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the critical and declining zone are generally less than 65% funded and projected to become insolvent in the next 15 or 20 years depending on the ratio of active to inactive participants, plans in the critical zone are generally less than 65% funded, plans in the endangered zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the CBA(s) to which the plans are subject. There have been no significant changes that affect the comparability of fiscal 2016, fiscal 2015 and fiscal 2014 contributions.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions by the Company (in thousands)			Surcharge Imposed	Range of Expiration Dates of CBAs
		2016	2015		2016	2015	2014		
National Retirement Fund	13-6130178 /001	Critical	Critical	Implemented	\$ 6,675	\$ 6,580	\$ 6,304	No	1/15/2015 - 2/29/2020
Service Employees Pension Fund of Upstate New York <sup>(1)</sup>	16-0908576 /001	Critical	Critical	Implemented	448	527	440	No	9/30/2016 - 6/30/2018
Local 1102 Retirement Trust <sup>(2)</sup>	13-1847329 /001	Critical	Critical	Implemented	339	300	334	No	10/31/2017 - 6/30/2019
Central States SE and SW Areas Pension Plan	36-6044243 /001	Critical and Declining	Critical and Declining	Implemented	3,723	3,659	3,549	No	1/31/2007 - 11/29/2018
Pension Plan for Hospital & Health Care Employees Philadelphia & Vicinity	23-2627428 /001	Critical	Endangered	Implemented	216	198	156	No	1/31/2018
Local 731 IBT Textile Maintenance and Laundry Craft Pension Fund	51-6056180 /001	Critical	Critical	Implemented	813	768	668	No	4/29/2016
SEIU National Industry Pension Fund	52-6148540 /001	Critical	Critical	Implemented	404	298	47	No	4/14/2016 - 12/31/2016
Local 171 Pension Plan	37-6155648 /001	Critical and Declining	Critical	Implemented	83	79	62	No	7/7/2017
Other funds					14,440	13,994	13,563		
Total contributions					<u>\$ 27,141</u>	<u>\$ 26,403</u>	<u>\$ 25,123</u>		

(1) Over 60% of the Company's participants in this fund are covered by a single CBA that expires on 6/30/2018.

(2) Over 90% of the Company's participants in this fund are covered by a single CBA that expires on 6/30/2019.

The Company provided more than 5 percent of the total contributions for the following plans and plan years:

Pension Fund	Contributions to the plan exceeded more than 5% of total contributions (as of the plan's year-end)
Local 1102 Retirement Trust	12/31/2015 and 12/31/2014
Service Employees Pension Fund of Upstate New York	12/31/2015 and 12/31/2014
Local 731 IBT Textile Maintenance and Laundry Craft Pension Fund	12/31/2015 and 12/31/2014
Local 171 Pension Plan	12/31/2015 and 12/31/2014

At the date the Company's financial statements were issued, Forms 5500 were not available for the plan years ending in 2016.

**NOTE 8. INCOME TAXES:**

The Company accounts for income taxes using the asset and liability method. Under this method, the provision for income taxes represents income taxes payable or refundable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases in assets and liabilities and are adjusted for changes in tax rates and enacted tax legislation. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

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The components of income before income taxes by source of income are as follows (in thousands):

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
United States	\$ 284,216	\$ 250,069	\$ 110,936
Non-U.S.	146,715	91,927	118,741
	<u>\$ 430,931</u>	<u>\$ 341,996</u>	<u>\$ 229,677</u>

The provision for income taxes consists of (in thousands):

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
Current:			
Federal	\$ 39,510	\$ 64,221	\$ 6,692
State and local	15,750	15,223	5,308
Non-U.S.	35,023	29,684	30,846
	<u>90,283</u>	<u>109,128</u>	<u>42,846</u>
Deferred:			
Federal	47,323	(585)	32,843
State and local	(740)	(208)	2,515
Non-U.S.	5,833	(3,315)	2,014
	<u>52,416</u>	<u>(4,108)</u>	<u>37,372</u>
	<u>\$ 142,699</u>	<u>\$ 105,020</u>	<u>\$ 80,218</u>

Current taxes receivable of \$48.5 million and \$72.3 million at September 30, 2016 and October 2, 2015, respectively, are included in "Prepayments and other current assets" in the Consolidated Balance Sheets. Current income taxes payable of \$10.3 million and \$0 at September 30, 2016 and October 2, 2015, respectively, are included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets.

The provision for income taxes varies from the amount determined by applying the United States Federal statutory rate to pretax income as a result of the following (all percentages are as a percentage of income before income taxes):

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
United States statutory income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes, resulting from:			
State income taxes, net of Federal tax benefit	2.3	2.9	2.2
Foreign taxes	(1.4)	(3.7)	(2.3)
Permanent book/tax differences	0.3	0.3	2.7
Uncertain tax positions	0.1	(0.5)	(0.4)
Tax credits & other	(3.2)	(3.3)	(2.3)
Effective income tax rate	<u>33.1%</u>	<u>30.7%</u>	<u>34.9%</u>

The effective tax rate is based on expected income, statutory tax rates and tax planning opportunities available to the Company in the various jurisdictions in which it operates. Judgment is required in determining the effective tax rate and in evaluating the tax return positions. Reserves are established when positions are "more likely than not" to be challenged and not sustained. Reserves are adjusted at each financial statement date to reflect the impact of audit settlements, expiration of statutes of limitation, developments in tax law and ongoing discussions with tax authorities. Accrued interest and penalties associated with uncertain tax positions are recognized as part of the income tax provision.

As of September 30, 2016, certain subsidiaries have recorded deferred tax assets of \$18.6 million associated with accumulated federal, state and foreign net operating loss carryforwards. The Company has a valuation allowance of approximately \$7.4 million as of September 30, 2016 against these carryforwards due to the uncertainty of their realization. Based on the Company's historical earnings, forecasted taxable income and the reversal of taxable temporary differences, it is "more likely than not" the deferred tax asset will be realized and no additional valuation allowance was recorded in fiscal 2016.



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The table of deferred tax assets shown below does not include certain deferred tax assets at September 30, 2016 and October 2, 2015 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for book purposes. The unrecognized tax benefits, as of September 30, 2016 and October 2, 2015, attributable to these net operating losses was approximately \$4.4 million and \$4.2 million, respectively. The tax law ordering approach is used to determine the sequence in which NOL carryforwards are utilized. Federal, state and foreign net operating loss carryforwards will expire from 2017 through 2026.

As of September 30, 2016, the Company has approximately \$1.2 million of foreign tax credit carryforwards, which expire in 2026. It is "more likely than not" that there is sufficient taxable income in the carryforward period to utilize these credits; therefore, a valuation allowance is not needed. The Company does not maintain significant or excessive cash balances at any of its foreign operations and does not consider any of its unremitted earnings to be permanently reinvested. Therefore, a deferred tax liability is recorded for the incremental U.S. taxes on all unremitted earnings.

As of September 30, 2016 and October 2, 2015, the components of deferred taxes are as follows (in thousands):

	September 30, 2016	October 2, 2015
<b>Deferred tax liabilities:</b>		
Property and equipment	\$ 87,191	\$ 54,218
Investments	46,125	29,526
Other intangible assets, including goodwill	655,319	654,568
Inventory and Other	113,693	110,869
Gross deferred tax liability	<u>902,328</u>	<u>849,181</u>
<b>Deferred tax assets:</b>		
Derivatives	1,618	5,282
Insurance	19,276	21,737
Employee compensation and benefits	249,509	219,645
Accruals and allowances	21,716	20,836
Net operating loss/credit carryforwards and other	26,707	32,884
Gross deferred tax asset, before valuation allowances	<u>318,826</u>	<u>300,384</u>
Valuation allowances	(7,352)	(8,630)
Net deferred tax liability	<u>\$ 590,854</u>	<u>\$ 557,427</u>

Deferred tax liabilities of approximately \$608.4 million and \$535.4 million as of September 30, 2016 and October 2, 2015, respectively, are included in "Deferred Income Taxes and Other Noncurrent Liabilities" in the Consolidated Balance Sheets. Deferred tax assets of approximately \$17.4 million and \$0 as of September 30, 2016 and October 2, 2015, respectively, are included in "Other Assets" in the Consolidated Balance Sheets.

The Company had approximately \$22.8 million of total gross unrecognized tax benefits as of September 30, 2016, all of which, if recognized, would impact the effective tax rate. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits follows (in thousands):

	September 30, 2016	October 2, 2015
Balance, beginning of year	\$ 21,412	\$ 26,217
Additions based on tax positions taken in the current year	481	270
Additions/Reductions for tax positions taken in prior years	2,141	1,715
Reductions for remeasurements, settlements and payments	(185)	(6,004)
Reductions due to statute expiration	(1,097)	(786)
Balance, end of year	<u>\$ 22,752</u>	<u>\$ 21,412</u>

The effective tax rate in fiscal year 2015 included a benefit of approximately \$4.8 million resulting from the reversal of reserves for uncertain tax positions related to audit settlements and the expiration of statutes. The fiscal 2015 benefit was offset by a write-off of a current income tax receivable of approximately \$3.5 million related to Work Opportunity Tax Credits.

The Company has approximately \$6.0 million and \$5.6 million accrued for interest and penalties as of September 30, 2016 and October 2, 2015, respectively, and recorded approximately \$0.4 million and (\$0.2) million in interest and penalties during fiscal 2016 and fiscal 2015, respectively.

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Unrecognized tax benefits are not expected to significantly change within the next 12 months.

All United States federal income tax matters are substantially concluded through 2013. Adequate amounts are established for any adjustments that may result from examinations for tax years after 2013.

Generally, a number of years may elapse before a tax reporting year is audited and finally resolved. There are open statutes in various tax jurisdictions ranging from 1 to 10 years. While it is often difficult to predict the final outcome or the timing of or resolution of a particular tax matter, the Company does not anticipate any adjustments resulting from state or foreign tax audits that would result in a material change to the financial condition or results of operations. However, an unfavorable settlement of a particular issue would require use of the Company's cash.

**NOTE 9. STOCKHOLDERS' EQUITY:**

During the first quarter of fiscal 2014, the Company completed an IPO of 28.0 million shares of its common stock at a price of \$20.00 per share, raising approximately \$524.1 million, net of costs directly related to the IPO. The Company used the net proceeds to repay borrowings on the senior secured revolving credit facility and a portion of the principal on the senior secured term loan facility. In addition, the Company paid cash bonuses and certain other expenses of approximately \$5.0 million related to the IPO which were included in the Consolidated Statements of Income for fiscal 2014.

During the fourth quarter of fiscal 2015, the Company completed a repurchase of 1.5 million shares of its common stock for approximately \$48.5 million.

The following table presents the Company's dividend payments to its stockholders (in millions):

	September 30, 2016	October 2, 2015	October 3, 2014
Dividend payments	\$ 92.1	\$ 81.9	\$ 52.2

On November 9, 2016, a \$0.103 dividend per share of common stock was declared, payable on December 8, 2016, to shareholders of record on the close of business on November 28, 2016.

**NOTE 10. SHARE-BASED COMPENSATION:**

On November 12, 2013, the Board of Directors (the "Board") approved, and the stockholders of Aramark adopted by written consent, the Aramark 2013 Stock Incentive Plan (the "2013 Stock Plan"), which became effective on December 1, 2013. The 2013 Stock Plan provides that the total number of shares of common stock that may be issued under the 2013 Stock Plan is 25,500,000.

The following table summarizes the share-based compensation expense and related information for Time-Based Options ("TBOs"), Performance-Based Options ("PBOs"), Time-Based Restricted Stock Units ("RSUs"), Performance Stock Units and Performance Restricted Stock ("PSUs"), and Deferred Stock and Other Units classified as "Selling and general corporate expenses" in the Consolidated Statements of Income (in millions).

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
TBOs	\$ 18.8	\$ 16.4	\$ 12.9
PBOs <sup>(1)</sup>	—	10.8	58.5
RSUs	21.4	19.5	14.2
PSUs	13.9	17.4	7.2
Deferred Stock and Other Units	2.8	2.3	3.5
	<u>\$ 56.9</u>	<u>\$ 66.4</u>	<u>\$ 96.3</u>
Taxes related to share-based compensation	\$ 22.3	\$ 26.0	\$ 37.6
Cash Received from Option Exercises	35.7	39.9	4.4
Tax Benefit on Option Exercises <sup>(2)</sup>	32.0	66.3	40.5

(1) Fiscal 2014 compensation expense for PBOs includes approximately \$50.9 million related to the missed year options that were modified.

(2) The tax benefit on option exercises and restricted stock unit deliveries is included in "Other financing activities" in the Consolidated Statements of Cash Flows.

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No compensation expense was capitalized. The Company has applied a forfeiture assumption of 8.7% per annum in the calculation of such expenses.

The below table summarizes the unrecognized compensation expense as of September 30, 2016 related to nonvested awards and the weighted-average period they are expected to be recognized:

	<b>Unrecognized Compensation Expense (in millions)</b>	<b>Weighted-Average Period (Years)</b>
TBOs	\$ 28.6	2.38
RSUs	22.5	2.28
PSUs	14.5	1.89
<b>Total</b>	<b>\$ 65.6</b>	

**Stock Options**

*Time-Based Options*

TBOs vest solely based upon continued employment over a four year time period. All TBOs remain exercisable for ten years from the date of grant. The fair value of the TBOs granted was estimated using the Black-Scholes option pricing model. The expected volatility is based on a blended average of the historical volatility of the Company's and competitors' stocks over the expected term of the stock options. The expected life represents the period of time that options granted are expected to be outstanding and is calculated using the simplified method as permitted under Securities and Exchange Commission ("SEC") rules and regulations due to the lack of history of our equity incentive plan. The simplified method uses the midpoint between an option's vesting date and contractual term. The risk-free rate is based on the United States Treasury security with terms equal to the expected life of the option as of the grant date. Compensation expense for TBOs is recognized on a straight-line basis over the vesting period during which employees perform related services.

The table below presents the weighted average assumptions and related valuations for TBOs.

	<b>Fiscal Year Ended</b>		
	<b>September 30, 2016</b>	<b>October 2, 2015</b>	<b>October 3, 2014</b>
Expected volatility	30%	30%	30%
Expected dividend yield	1.15% - 1.25%	1.05% - 1.20%	1.5%
Expected life (in years)	6.25	6.25	6.25
Risk-free interest rate	1.50% - 2.04%	1.60% - 2.07%	2.06% - 2.33%
Weighted-average grant-date fair value	\$9.21	\$8.34	\$6.72

A summary of TBO activity is presented below:

<b>Options</b>	<b>Shares (000s)</b>	<b>Weighted- Average Exercise Price</b>	<b>Aggregate Intrinsic Value (\$000s)</b>	<b>Weighted- Average Remaining Term (Years)</b>
Outstanding at October 2, 2015	13,266	\$ 18.24		
Granted	2,308	\$ 32.55		
Exercised	(2,429)	\$ 13.42		
Forfeited and expired	(791)	\$ 24.35		
Outstanding at September 30, 2016	12,354	\$ 21.48	\$ 204,412	6.9
Exercisable at September 30, 2016	6,569	\$ 16.29	\$ 142,824	5.8
Expected to vest at September 30, 2016	6,633	\$ 26.37	\$ 27,715	8.0

	<b>Fiscal Year Ended</b>		
	<b>September 30, 2016</b>	<b>October 2, 2015</b>	<b>October 3, 2014</b>
Total intrinsic value exercised (in millions)	\$ 49.9	\$ 107.8	\$ 79.9
Total fair value that vested (in millions)	17.5	13.7	13.2

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***Performance-Based Options***

During the first quarter of fiscal 2014, the Compensation Committee approved an amendment to all outstanding 2007 Management Stock Incentive Plan (the "2007 MSIP") Option Agreements (the "Performance Option Amendment") modifying the vesting provisions relating to outstanding performance-based options granted under the 2007 MSIP. The Performance Option Amendment provided that in the event of an initial public offering of Aramark, subject to continued employment on such date, 50% of any then-unvested performance-based options that did not meet applicable performance thresholds in prior years (the "Missed Year Options") would become vested if the initial public offering price for the common stock of Aramark equals or exceeds \$20.00 per share. In addition, during the 18 month period following the initial public offering, if the closing trading price for common stock of Aramark equals or exceeds \$25.00 per share over any consecutive twenty day trading period, 100% of the Missed Year Options will become vested. There were a total of approximately 5.0 million Missed Year Options which fully vested by the second quarter of fiscal 2014 as all performance targets were met.

During the third quarter of fiscal 2015, all unvested performance-based options granted under the 2007 Management Stock Incentive Plan vested due to the sponsors of the Company's 2007 going-private transaction achieving the required rate of return on their sales of the Company's stock to constitute a return-based event under the original terms of such options related to approximately 0.7 million shares. The Company no longer grants PBOs under the 2013 Stock Plan. All PBOs remain exercisable for ten years from the date of grant.

A summary of PBO activity is presented below:

Options	Shares (000s)	Weighted- Average Exercise Price	Aggregate Intrinsic Value (\$000s)	Weighted- Average Remaining Term (Years)
Outstanding at October 2, 2015	4,785	\$ 10.74		
Granted	—	\$ —		
Exercised	(1,602)	\$ 9.15		
Forfeited and expired	(9)	\$ 11.79		
Outstanding at September 30, 2016	3,174	\$ 11.54	\$ 84,054	4.2
Exercisable at September 30, 2016	3,174	\$ 11.54	\$ 84,054	4.2

The total intrinsic value of PBOs exercised during fiscal 2016, fiscal 2015 and fiscal 2014 was \$39.2 million, \$102.9 million and \$74.6 million, respectively.

**Time-Based Restricted Stock Units**

The RSU Agreement provides for grants of RSUs, 25% of which will vest and be settled in shares on each of the first four anniversaries of the date of grant, subject to the participant's continued employment with the Company through each such anniversary. The RSU grant in connection with the IPO and certain other grants vest and settle in shares generally on each of the first three anniversaries of the date of grant, subject to the participant's continued employment with the Company through each such anniversary. The grant-date fair value of RSUs is based on the fair value of the Company's common stock. Participants holding RSUs will receive the benefit of any dividends paid on shares in the form of additional RSUs. The unvested units are subject to forfeiture if employment is terminated other than due to death, disability or retirement, and the units are nontransferable while subject to forfeiture.

Restricted Stock Units	Units (000s)	Weighted Average Grant Date Fair Value
Outstanding at October 2, 2015	2,282	\$ 21.61
Granted	575	\$ 32.65
Vested	(1,004)	\$ 20.61
Forfeited	(233)	\$ 21.04
Outstanding at September 30, 2016	1,620	\$ 25.87

**Performance Stock Units**

Under the 2013 Stock Plan, the Company is authorized to grant PSUs to its employees. A participant is eligible to become vested in a number of PSUs equal to a percentage, higher or lower, of the target number of PSUs granted based on the level of the Company's achievement of the performance condition. Prior to fiscal 2016, the Company granted three year PSUs with the

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first 33% of the award vesting on the first anniversary of the grant date, if and to the extent the Company achieves these performance conditions, while the remaining 67% will generally vest ratably over the next two anniversaries of the date of grant, subject to the achievement of an adjusted earnings per share-based performance condition in the first year of grant and the participant's continued employment with the Company through each such anniversary. During the first quarter of fiscal 2016, the Company granted PSUs with cliff vesting subject to the achievement of a performance condition in the third fiscal year of grant and the participant's continued employment with the Company. The grant-date fair value of the PSUs is based on the fair value of the Company's common stock.

Performance Stock Units	Units (000s)	Weighted Average Grant Date Fair Value
Outstanding at October 2, 2015	1,270	\$ 27.20
Granted	669	\$ 32.64
Vested	(516)	\$ 26.70
Forfeited	(125)	\$ 29.21
Outstanding at September 30, 2016	1,298	\$ 30.02

**Deferred Stock Units**

Deferred Stock Units are issued only to non-employee members of the Board of Directors of the Company and represent the right to receive shares of the Company's common stock in the future. Each deferred stock unit will be converted to one share of the Company's common stock on the first day of the seventh month after which such director ceases to serve as a member of the Board of Directors. The grant-date fair value of deferred stock units is based on the fair value of the Company's common stock. The deferred stock units vest on the day prior to the next annual meeting of stockholders (which is generally one year after grant). The Company granted 61,802 deferred stock units during fiscal 2016. In addition, directors may elect to defer their cash retainer into Deferred Stock Units which are fully vested upon issuance.

**NOTE 11. EARNINGS PER SHARE:**

Basic earnings per share is computed using the weighted average number of common shares outstanding during the periods presented. Diluted earnings per share is computed using the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of stock awards.

The following table sets forth the computation of basic and diluted earnings per share attributable to the Company's stockholders (in thousands, except per share data):

	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
<b>Earnings:</b>			
Net income attributable to Aramark stockholders	\$ 287,806	\$ 235,946	\$ 148,956
<b>Shares:</b>			
Basic weighted-average shares outstanding	242,286	237,616	225,866
Effect of dilutive securities	6,477	9,000	11,585
Diluted weighted-average shares outstanding	248,763	246,616	237,451
<b>Basic Earnings Per Share:</b>			
Net income attributable to Aramark stockholders	\$ 1.19	\$ 0.99	\$ 0.66
<b>Diluted Earnings Per Share:</b>			
Net income attributable to Aramark stockholders	\$ 1.16	\$ 0.96	\$ 0.63

Share-based awards to purchase 2.1 million, 2.5 million and 1.5 million shares were outstanding at September 30, 2016, October 2, 2015 and October 3, 2014, respectively, but were not included in the computation of diluted earnings per common share, as their effect would have been antidilutive. In addition, PSUs of approximately 0.6 million and PSUs and PBOs of approximately 0.8 million were outstanding at September 30, 2016 and October 3, 2014, respectively, but were not included in the computation of diluted earnings per common share, as the performance targets were not yet met.

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**NOTE 12. ACCOUNTS RECEIVABLE SECURITIZATION:**

The Company has an agreement (the "Receivables Facility") with three financial institutions where we sell on a continuous basis an undivided interest in all eligible trade accounts receivable, as defined in the Receivables Facility. The maximum amount available under the Receivables Facility is \$350.0 million. In addition, the Receivables Facility includes a seasonal tranche which increases the capacity of the Receivables Facility and increases the maximum amount available by \$50.0 million. Pursuant to the Receivables Facility, the Company formed ARAMARK Receivables, LLC, a wholly-owned, consolidated, bankruptcy-remote subsidiary. ARAMARK Receivables, LLC was formed for the sole purpose of buying and selling receivables generated by certain subsidiaries of the Company. Under the Receivables Facility, the Company and certain of its subsidiaries transfer without recourse all of their accounts receivable to ARAMARK Receivables, LLC. As collections reduce previously transferred interests, interests in new, eligible receivables are transferred to ARAMARK Receivables, LLC, subject to meeting certain conditions.

During the third quarter of fiscal 2016, the Company extended the term of the Receivables Facility from May 2017 to May 2019. In addition, the Company modified the terms of the additional seasonal capacity of the Receivables Facility to increase it from \$25.0 million to \$50.0 million for the period from September to March and May to June. At September 30, 2016 and October 2, 2015, the amount of outstanding borrowings under the Receivables Facility was \$268.0 million and \$350.0 million, respectively, and is included in "Long-Term Borrowings" in the Consolidated Balance Sheets.

**NOTE 13. COMMITMENTS AND CONTINGENCIES:**

The Company has capital and other purchase commitments of approximately \$565.1 million at September 30, 2016, primarily in connection with commitments for capital projects and client contract investments. At September 30, 2016, the Company also has letters of credit outstanding in the amount of \$53.8 million.

Certain of the Company's lease arrangements, primarily vehicle leases, with terms of one to eight years, contain provisions related to residual value guarantees. The maximum potential liability to the Company under such arrangements was approximately \$127.8 million at September 30, 2016 if the terminal fair value of vehicles coming off lease was zero. Consistent with past experience, management does not expect any significant payments will be required pursuant to these arrangements. No amounts have been accrued for guarantee arrangements at September 30, 2016.

Rental expense for all operating leases was \$180.7 million, \$181.8 million and \$188.0 million for fiscal 2016, fiscal 2015 and fiscal 2014, respectively. Following is a schedule of the future minimum rental and similar commitments under all noncancelable operating leases and certain residual value guarantees as of September 30, 2016 (in thousands):

2017	\$	238,462
2018		92,589
2019		56,430
2020		56,835
2021		39,604
2022-Thereafter		229,209
Total minimum rental obligations	<u>\$</u>	<u>713,129</u>

From time to time, the Company and its subsidiaries are a party to various legal actions, proceedings and investigations involving claims incidental to the conduct of their business, including actions by clients, consumers, employees, government entities and third parties, including under federal, state, international, national, provincial and local employment laws, wage and hour laws, discrimination laws, immigration laws, human health and safety laws, import and export controls and customs laws, environmental laws, false claims or whistleblower statutes, minority, women and disadvantaged business enterprise statutes, tax codes, antitrust and competition laws, consumer protection statutes, procurement regulations, intellectual property laws, food safety and sanitation laws, cost and accounting principles, the Foreign Corrupt Practices Act, the U.K. Bribery Act, other anti-corruption laws, lobbying laws, motor carrier safety laws, data privacy and security laws and alcohol licensing and service laws, or alleging negligence and/or breaches of contractual and other obligations. Based on information currently available, advice of counsel, available insurance coverage, established reserves and other resources, the Company does not believe that any such actions are likely to be, individually or in the aggregate, material to its business, financial condition, results of operations or cash flows. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or cash flows.

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**NOTE 14. QUARTERLY RESULTS (Unaudited):**

The following tables summarize the Company's unaudited quarterly results for fiscal 2016 and fiscal 2015 (in thousands):

	Quarter Ended			
	January 1, 2016	April 1, 2016	July 1, 2016	September 30, 2016
Sales	\$ 3,710,275	\$ 3,574,822	\$ 3,586,908	\$ 3,543,824
Cost of services provided	3,294,523	3,209,710	3,233,884	3,152,291
Net income	93,436	66,497	44,858	83,441
Net income attributable to Aramark stockholders	93,343	66,354	44,765	83,344
Earnings per share:				
Basic	\$ 0.39	\$ 0.27	\$ 0.18	\$ 0.34
Diluted	0.38	0.27	0.18	0.33
Dividends declared per common share	0.095	0.095	0.095	0.095

	Quarter Ended			
	January 2, 2015	April 3, 2015	July 3, 2015	October 2, 2015
Sales	\$ 3,702,353	\$ 3,594,627	\$ 3,486,203	\$ 3,545,952
Cost of services provided	3,287,281	3,239,214	3,164,700	3,189,230
Net income	85,620	60,105	34,038	57,213
Net income attributable to Aramark stockholders	85,497	59,823	33,761	56,865
Earnings per share:				
Basic	\$ 0.36	\$ 0.25	\$ 0.14	\$ 0.24
Diluted	0.35	0.24	0.14	0.23
Dividends declared per common share	0.08625	0.08625	0.08625	0.08625

**NOTE 15. BUSINESS SEGMENTS:**

The Company reports its operating results in three reportable segments: FSS North America, FSS International and Uniform. Corporate includes general expenses and assets not specifically allocated to an individual segment and share-based compensation expense (see Note 10). Financial information by segment follows (in millions):

	Sales		
	Fiscal Year Ended		
	September 30, 2016	October 2, 2015	October 3, 2014
FSS North America	\$ 10,122.3	\$ 9,950.3	\$ 10,232.8
FSS International	2,729.8	2,858.2	3,111.2
Uniform	1,563.7	1,520.6	1,488.9
	<u>\$ 14,415.8</u>	<u>\$ 14,329.1</u>	<u>\$ 14,832.9</u>



**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Operating Income</b>		
	<b>Fiscal Year Ended</b>		
	<b>September 30, 2016</b>	<b>October 2, 2015</b>	<b>October 3, 2014</b>
FSS North America	\$ 546.4	\$ 494.5	\$ 501.3
FSS International	129.1	95.3	106.2
Uniform	195.3	191.8	172.1
	<u>870.8</u>	<u>781.6</u>	<u>779.6</u>
Corporate	(124.5)	(153.7)	(215.0)
Operating Income	<u>746.3</u>	<u>627.9</u>	<u>564.6</u>
Interest and Other Financing Costs, net	(315.4)	(285.9)	(334.9)
Income Before Income Taxes	<u>\$ 430.9</u>	<u>\$ 342.0</u>	<u>\$ 229.7</u>

	<b>Depreciation and Amortization</b>		
	<b>Fiscal Year Ended</b>		
	<b>September 30, 2016</b>	<b>October 2, 2015</b>	<b>October 3, 2014</b>
FSS North America	\$ 373.2	\$ 385.2	\$ 381.0
FSS International	46.3	47.1	59.2
Uniform	73.9	70.2	79.6
Corporate	2.4	1.5	1.8
	<u>\$ 495.8</u>	<u>\$ 504.0</u>	<u>\$ 521.6</u>

	<b>Capital Expenditures and Client Contract Investments and Other*</b>		
	<b>Fiscal Year Ended</b>		
	<b>September 30, 2016</b>	<b>October 2, 2015</b>	<b>October 3, 2014</b>
FSS North America	\$ 378.9	\$ 395.3	\$ 431.3
FSS International	92.6	49.1	48.4
Uniform	70.7	72.6	53.8
Corporate	3.3	7.4	18.4
	<u>\$ 545.5</u>	<u>\$ 524.4</u>	<u>\$ 551.9</u>

\* Includes amounts acquired in business combinations

	<b>Identifiable Assets</b>	
	<b>September 30, 2016</b>	<b>October 2, 2015</b>
FSS North America	\$ 7,067.5	\$ 6,955.9
FSS International	1,521.3	1,369.9
Uniform	1,786.4	1,751.7
Corporate	206.9	118.9
	<u>\$ 10,582.1</u>	<u>\$ 10,196.4</u>

The following geographic data include sales generated by subsidiaries within that geographic area and net property & equipment based on physical location (in millions):

	<b>Sales</b>		
	<b>Fiscal Year Ended</b>		
	<b>September 30, 2016</b>	<b>October 2, 2015</b>	<b>October 3, 2014</b>
United States	\$ 11,011.5	\$ 10,727.8	\$ 10,798.5
Foreign	3,404.3	3,601.3	4,034.4
	<u>\$ 14,415.8</u>	<u>\$ 14,329.1</u>	<u>\$ 14,832.9</u>

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	Property and Equipment, net	
	September 30, 2016	October 2, 2015
United States	\$ 844.3	\$ 817.0
Foreign	178.8	142.3
	\$ 1,023.1	\$ 959.3

**NOTE 16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are classified based upon the level of judgment associated with the inputs used to measure their fair value. The hierarchical levels related to the subjectivity of the valuation inputs are defined as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2—inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement

**Recurring Fair Value Measurements**

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivatives. Management believes that the carrying value of cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair values. In conjunction with the fair value measurement of the derivative instruments, the Company made an accounting policy election to measure the credit risk of its derivative instruments that are subject to master netting agreements on a net basis by counterparty portfolio, the gross values would not be materially different. The fair value of the Company's debt at September 30, 2016 and October 2, 2015 was \$5,365.6 million and \$5,341.3 million, respectively. The carrying value of the Company's debt at September 30, 2016 and October 2, 2015 was \$5,270.0 million and \$5,266.0 million, respectively. The fair values were computed using market quotes, if available, or based on discounted cash flows using market interest rates as of the end of the respective periods. The inputs utilized in estimating the fair value of the Company's debt has been classified as level 2 in the fair value hierarchy levels.

**NOTE 17. RELATED PARTY TRANSACTIONS:**

In August 2015, GS Capital Partners and J.P. Morgan Partners sold their remaining shares of Aramark common stock and are no longer viewed as related parties. Net payments in fiscal 2015 and fiscal 2014 to entities affiliated with GS Capital Partners pursuant to interest rate swap transactions were approximately \$6.1 million and \$7.9 million, respectively. The net payments in fiscal 2015 and fiscal 2014 to entities affiliated with J.P. Morgan Partners pursuant to interest rate swap transactions were approximately \$4.0 million and \$6.9 million, respectively.

**NOTE 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF ARAMARK AND SUBSIDIARIES:**

The following condensed consolidating financial statements of the Company have been prepared pursuant to Rule 3-10 of Regulation S-X.

These condensed consolidating financial statements have been prepared from the Company's financial information on the same basis of accounting as the consolidated financial statements. Interest expense and certain other costs are partially allocated to all of the subsidiaries of the Company. Goodwill and other intangible assets have been allocated to the subsidiaries based on management's estimates. The 2020 Notes, 2024 Notes and 2026 Notes are obligations of the Company's wholly-owned subsidiary, Aramark Services, Inc., and are each jointly and severally guaranteed on a senior unsecured basis by the Company and substantially all of the Company's existing and future domestic subsidiaries (excluding the Receivables Facility subsidiary) ("Guarantors"). Each of the Guarantors is wholly-owned, directly or indirectly, by the Company. All other subsidiaries of the Company, either direct or indirect, do not guarantee the 2020 Notes, 2024 Notes or 2026 Notes ("Non-Guarantors"). The Guarantors also guarantee certain other debt.

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATING BALANCE SHEETS**  
**September 30, 2016**  
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 5	\$ 47,850	\$ 31,344	\$ 73,381	\$ —	\$ 152,580
Receivables	—	167	265,124	1,211,058	—	1,476,349
Inventories	—	15,284	492,855	79,016	—	587,155
Prepayments and other current assets	—	69,033	98,779	108,675	—	276,487
Total current assets	<u>5</u>	<u>132,334</u>	<u>888,102</u>	<u>1,472,130</u>	<u>—</u>	<u>2,492,571</u>
Property and Equipment, net	—	30,201	782,347	210,535	—	1,023,083
Goodwill	—	173,104	3,982,737	473,040	—	4,628,881
Investment in and Advances to Subsidiaries	2,161,101	5,450,692	598,759	230,488	(8,441,040)	—
Other Intangible Assets	—	29,729	894,274	187,880	—	1,111,883
Other Assets	—	56,850	1,028,887	241,919	(2,002)	1,325,654
	<u>\$ 2,161,106</u>	<u>\$ 5,872,910</u>	<u>\$ 8,175,106</u>	<u>\$ 2,815,992</u>	<u>\$ (8,443,042)</u>	<u>\$ 10,582,072</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current Liabilities:						
Current maturities of long-term borrowings	\$ —	\$ 21,998	\$ 15,598	\$ 8,926	\$ —	\$ 46,522
Accounts payable	—	156,471	415,481	275,636	—	847,588
Accrued expenses and other liabilities	100	145,314	827,213	319,447	(1,439)	1,290,635
Total current liabilities	<u>100</u>	<u>323,783</u>	<u>1,258,292</u>	<u>604,009</u>	<u>(1,439)</u>	<u>2,184,745</u>
Long-term Borrowings	—	4,570,931	62,892	589,691	—	5,223,514
Deferred Income Taxes and Other Noncurrent Liabilities	—	440,839	510,254	51,920	—	1,003,013
Intercompany Payable	—	—	4,619,489	1,400,741	(6,020,230)	—
Redeemable Noncontrolling Interest	—	—	9,794	—	—	9,794
Total Stockholders' Equity	2,161,006	537,357	1,714,385	169,631	(2,421,373)	2,161,006
	<u>\$ 2,161,106</u>	<u>\$ 5,872,910</u>	<u>\$ 8,175,106</u>	<u>\$ 2,815,992</u>	<u>\$ (8,443,042)</u>	<u>\$ 10,582,072</u>

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATING BALANCE SHEETS**  
**October 2, 2015**  
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 5	\$ 31,792	\$ 42,811	\$ 47,808	\$ —	\$ 122,416
Receivables	—	3,721	295,618	1,145,235	—	1,444,574
Inventories	—	15,981	487,551	71,731	—	575,263
Prepayments and other current assets	—	59,706	74,395	102,769	—	236,870
Total current assets	<u>5</u>	<u>111,200</u>	<u>900,375</u>	<u>1,367,543</u>	<u>—</u>	<u>2,379,123</u>
Property and Equipment, net	—	20,713	785,274	153,358	—	959,345
Goodwill	—	173,104	3,982,737	403,127	—	4,558,968
Investment in and Advances to Subsidiaries	1,883,454	5,586,010	479,517	16,121	(7,965,102)	—
Other Intangible Assets	—	29,729	985,449	96,802	—	1,111,980
Other Assets	—	40,128	919,811	229,004	(2,002)	1,186,941
	<u>\$ 1,883,459</u>	<u>\$ 5,960,884</u>	<u>\$ 8,053,163</u>	<u>\$ 2,265,955</u>	<u>\$ (7,967,104)</u>	<u>\$ 10,196,357</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current Liabilities:						
Current maturities of long-term borrowings	\$ —	\$ 21,921	\$ 13,013	\$ 46,493	\$ —	\$ 81,427
Accounts payable	—	152,844	419,188	278,008	—	850,040
Accrued expenses and other liabilities	100	135,540	818,610	295,183	88	1,249,521
Total current liabilities	<u>100</u>	<u>310,305</u>	<u>1,250,811</u>	<u>619,684</u>	<u>88</u>	<u>2,180,988</u>
Long-term Borrowings	—	4,366,341	44,464	773,792	—	5,184,597
Deferred Income Taxes and Other Noncurrent Liabilities	—	415,284	500,632	21,395	—	937,311
Intercompany Payable	—	—	5,096,806	1,075,836	(6,172,642)	—
Redeemable Noncontrolling Interest	—	—	10,102	—	—	10,102
Total Stockholders' Equity	1,883,359	868,954	1,150,348	(224,752)	(1,794,550)	1,883,359
	<u>\$ 1,883,459</u>	<u>\$ 5,960,884</u>	<u>\$ 8,053,163</u>	<u>\$ 2,265,955</u>	<u>\$ (7,967,104)</u>	<u>\$ 10,196,357</u>

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**For the year ended September 30, 2016**  
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$ —	\$1,025,664	\$9,670,207	\$3,719,958	\$ —	\$14,415,829
Costs and Expenses:						
Cost of services provided	—	939,925	8,536,196	3,414,287	—	12,890,408
Depreciation and amortization	—	15,670	406,154	73,941	—	495,765
Selling and general corporate expenses	—	134,705	130,153	18,484	—	283,342
Interest and other financing costs, net	—	293,072	(2,513)	24,824	—	315,383
Expense allocations	—	(358,897)	308,928	49,969	—	—
	—	1,024,475	9,378,918	3,581,505	—	13,984,898
Income before Income Taxes	—	1,189	291,289	138,453	—	430,931
Provision for Income Taxes	—	427	104,377	37,895	—	142,699
Equity in Net Income of Subsidiaries	287,806	—	—	—	(287,806)	—
Net income	287,806	762	186,912	100,558	(287,806)	288,232
Less: Net income attributable to noncontrolling interest	—	—	426	—	—	426
Net income attributable to Aramark stockholders	287,806	762	186,486	100,558	(287,806)	287,806
Other comprehensive income (loss), net of tax	(14,215)	(16,093)	(7,284)	1,176	22,201	(14,215)
Comprehensive income (loss) attributable to Aramark stockholders	\$273,591	\$ (15,331)	\$ 179,202	\$ 101,734	\$ (265,605)	\$ 273,591

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**For the year ended October 2, 2015**  
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$ —	\$1,014,783	\$ 9,517,309	\$3,797,043	\$ —	\$14,329,135
Costs and Expenses:						
Cost of services provided	—	900,073	8,438,851	3,541,500	—	12,880,424
Depreciation and amortization	—	11,350	415,985	76,698	—	504,033
Selling and general corporate expenses	2,177	162,423	135,398	16,742	—	316,740
Interest and other financing costs, net	—	255,761	(2,404)	32,585	—	285,942
Expense allocations	(2,177)	(334,778)	306,915	30,040	—	—
	—	994,829	9,294,745	3,697,565	—	13,987,139
Income Before Income Taxes	—	19,954	222,564	99,478	—	341,996
Provision for Income Taxes	—	6,007	70,050	28,963	—	105,020
Equity in Net Income of Subsidiaries	235,946	—	—	—	(235,946)	—
Net income	235,946	13,947	152,514	70,515	(235,946)	236,976
Less: Net income attributable to noncontrolling interest	—	—	1,030	—	—	1,030
Net income attributable to Aramark stockholders	235,946	13,947	151,484	70,515	(235,946)	235,946
Other comprehensive income (loss), net of tax	(60,270)	(12,872)	(2,958)	(78,946)	94,776	(60,270)
Comprehensive income (loss) attributable to Aramark stockholders	<u>\$175,676</u>	<u>\$ 1,075</u>	<u>\$ 148,526</u>	<u>\$ (8,431)</u>	<u>\$ (141,170)</u>	<u>\$ 175,676</u>

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**For the year ended October 3, 2014**  
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$ —	\$1,047,371	\$ 9,544,705	\$4,240,837	\$ —	\$14,832,913
Costs and Expenses:						
Cost of services provided	—	929,087	8,506,445	3,928,386	—	13,363,918
Depreciation and amortization	—	13,683	412,075	95,823	—	521,581
Selling and general corporate expenses	7,836	216,556	139,221	19,238	—	382,851
Interest and other financing costs, net	—	302,884	(1,216)	33,218	—	334,886
Expense allocations	(7,836)	(376,795)	342,270	42,361	—	—
	—	1,085,415	9,398,795	4,119,026	—	14,603,236
Income (Loss) Before Income Taxes	—	(38,044)	145,910	121,811	—	229,677
Provision (Benefit) for Income Taxes	—	(15,578)	62,936	32,860	—	80,218
Equity in Net Income of Subsidiaries	148,956	—	—	—	(148,956)	—
Net income (loss)	148,956	(22,466)	82,974	88,951	(148,956)	149,459
Less: Net income attributable to noncontrolling interest	—	—	503	—	—	503
Net income (loss) attributable to Aramark stockholders	148,956	(22,466)	82,471	88,951	(148,956)	148,956
Other comprehensive income (loss), net of tax	(47,073)	12,123	(638)	(82,604)	71,119	(47,073)
Comprehensive income (loss) attributable to Aramark stockholders	\$101,883	\$ (10,343)	\$ 81,833	\$ 6,347	\$ (77,837)	\$ 101,883



**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**For the year ended September 30, 2016**  
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Net cash provided by operating activities	\$ —	\$ 100,116	\$ 587,572	\$ 124,191	\$ (5,239)	\$ 806,640
Cash flows from investing activities:						
Purchases of property and equipment, client contract investments and other	—	(22,326)	(419,009)	(71,197)	—	(512,532)
Disposals of property and equipment	—	1,832	20,353	4,639	—	26,824
Acquisitions of businesses, net of cash acquired	—	—	(231)	(199,146)	—	(199,377)
Other investing activities	—	1,576	5,202	(1,438)	—	5,340
Net cash used in investing activities	—	(18,918)	(393,685)	(267,142)	—	(679,745)
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	1,397,714	—	2,274	—	1,399,988
Payments of long-term borrowings	—	(1,217,292)	(15,418)	(130,824)	—	(1,363,534)
Net change in funding under the Receivables Facility	—	—	—	(82,000)	—	(82,000)
Payments of dividends	—	(92,074)	—	—	—	(92,074)
Proceeds from issuance of common stock	—	35,705	—	—	—	35,705
Repurchase of common stock	—	(749)	—	—	—	(749)
Other financing activities	—	9,179	(2,513)	(733)	—	5,933
Change in intercompany, net	—	(197,623)	(187,423)	379,807	5,239	—
Net cash provided by (used in) financing activities	—	(65,140)	(205,354)	168,524	5,239	(96,731)
Increase (decrease) in cash and cash equivalents	—	16,058	(11,467)	25,573	—	30,164
Cash and cash equivalents, beginning of period	5	31,792	42,811	47,808	—	122,416
Cash and cash equivalents, end of period	\$ 5	\$ 47,850	\$ 31,344	\$ 73,381	\$ —	\$ 152,580

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**For the year ended October 2, 2015**  
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ (654)	\$ 51,010	\$ 318,988	\$ 318,647	\$ (4,955)	\$ 683,036
Cash flows from investing activities:						
Purchases of property and equipment, client contract investments and other	—	(13,871)	(444,962)	(65,551)	—	(524,384)
Disposals of property and equipment	—	454	8,927	9,747	—	19,128
Acquisitions of businesses, net of cash acquired	—	—	(3,377)	—	—	(3,377)
Other investing activities	—	(975)	(825)	6,099	—	4,299
Net cash used in investing activities	—	(14,392)	(440,237)	(49,705)	—	(504,334)
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	70,000	—	1,926	—	71,926
Payments of long-term borrowings	—	(178,919)	(14,670)	(16,032)	—	(209,621)
Payments of dividends	—	(81,898)	—	—	—	(81,898)
Proceeds from issuance of common stock	—	39,946	—	—	—	39,946
Repurchase of common stock	—	(50,176)	—	—	—	(50,176)
Other financing activities	—	66,313	(3,877)	(589)	—	61,847
Change in intercompany, net	654	103,624	140,968	(250,201)	4,955	—
Net cash provided by (used in) financing activities	654	(31,110)	122,421	(264,896)	4,955	(167,976)
Increase in cash and cash equivalents	—	5,508	1,172	4,046	—	10,726
Cash and cash equivalents, beginning of period	5	26,284	41,639	43,762	—	111,690
Cash and cash equivalents, end of period	\$ 5	\$ 31,792	\$ 42,811	\$ 47,808	\$ —	\$ 122,416

**ARAMARK AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**For the year ended October 3, 2014**  
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 450	\$ 65,605	\$ 470,472	\$ (105,412)	\$ (32,956)	\$ 398,159
Cash flows from investing activities:						
Purchases of property and equipment, client contract investments and other	—	(20,219)	(456,671)	(68,304)	—	(545,194)
Disposals of property and equipment	—	8,446	6,219	13,829	—	28,494
Proceeds from divestitures	—	—	24,000	—	—	24,000
Acquisitions of businesses, net of cash acquired	—	—	(13,261)	(8,195)	—	(21,456)
Other investing activities	—	265	14,058	(5,389)	—	8,934
Net cash used in investing activities	—	(11,508)	(425,655)	(68,059)	—	(505,222)
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	1,293,745	—	277,073	—	1,570,818
Payments of long-term borrowings	—	(1,877,379)	(14,558)	(86,669)	—	(1,978,606)
Net change in funding under the Receivables Facility	—	—	—	50,000	—	50,000
Payments of dividends	—	(52,186)	—	—	—	(52,186)
Proceeds from initial public offering, net	524,081	—	—	—	—	524,081
Proceeds from issuance of common stock	—	4,408	—	—	—	4,408
Repurchase of common stock	—	(4,730)	—	—	—	(4,730)
Other financing activities	—	4,377	(6,382)	(4,025)	—	(6,030)
Change in intercompany, net	(524,531)	580,983	(22,725)	(66,683)	32,956	—
Net cash provided by (used in) financing activities	(450)	(50,782)	(43,665)	169,696	32,956	107,755
Increase (decrease) in cash and cash equivalents	—	3,315	1,152	(3,775)	—	692
Cash and cash equivalents, beginning of period	5	22,969	40,487	47,537	—	110,998
Cash and cash equivalents, end of period	\$ 5	\$ 26,284	\$ 41,639	\$ 43,762	\$ —	\$ 111,690

**ARAMARK AND SUBSIDIARIES**  
**SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, OCTOBER 2, 2015 AND OCTOBER 3, 2014**

<b>Description</b>	<b>Balance, Beginning of Period</b>	<b>Additions Charged to Income</b>	<b>Reductions from Reserves<sup>(1)</sup></b>	<b>Balance, End of Period</b>
<b>Fiscal Year 2016</b>				
Reserve for doubtful accounts, advances & current notes receivable	\$ 39,023	\$ 21,913	\$ 12,878	\$ 48,058
<b>Fiscal Year 2015</b>				
Reserve for doubtful accounts, advances & current notes receivable	\$ 37,381	\$ 16,220	\$ 14,578	\$ 39,023
<b>Fiscal Year 2014</b>				
Reserve for doubtful accounts, advances & current notes receivable	\$ 34,676	\$ 15,037	\$ 12,332	\$ 37,381

(1) Amounts determined not to be collectible and charged against the reserve and translation.

## EXHIBIT INDEX

Copies of any of the following exhibits are available to Stockholders for the cost of reproduction upon written request to the Secretary, Aramark, 1101 Market Street, Philadelphia, PA 19107.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Aramark (incorporated by reference to Exhibit 3.1 to Aramark's Current Report on Form 8-K filed with the SEC on December 16, 2013, pursuant to the Exchange Act (file number 001-36223)).
3.2	Certificate of Ownership and Merger (incorporated by reference to Exhibit 3.1 to Aramark's Current Report on Form 8-K filed with the SEC on May 15, 2014, pursuant to the Exchange Act (file number 001-36223)).
3.3	Amended and Restated By-laws of Aramark (incorporated by reference to Exhibit 3.2 to Aramark's Current Report on Form 8-K filed with the SEC on May 15, 2014, pursuant to the Exchange Act (file number 001-36223)).
4.1	Indenture, dated as of March 7, 2013, among Aramark Services, Inc., the guarantors named therein and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on March 7, 2013 pursuant to the Exchange Act (file number 001-04762)).
4.2	First Supplemental Indenture, dated as of December 17, 2013, among ARAMARK Holdings Corporation and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.3 to Aramark's Form S-4 filed with the SEC on December 17, 2013 (file number 333-192907)).
4.3	Second Supplemental Indenture, dated as of December 17, 2013, among the entities listed in Schedule I thereto and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.4 to Aramark's Form S-4 filed with the SEC on December 17, 2013 (file number 333-192907)).
4.4	Indenture, dated as of December 17, 2015, among Aramark Services, Inc., as issuer, Aramark, as parent guarantor, the subsidiary guarantors named therein and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 of Aramark's Current Report on Form 8-K filed with the SEC on December 17, 2015, pursuant to the Exchange Act (file number 001-36223)).
4.5	Supplemental Indenture, dated as of May 31, 2016, among Aramark Services, Inc., as issuer, Aramark, as parent guarantor, the subsidiary guarantors named therein and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 of Aramark's Current Report on Form 8-K filed with the SEC on June 6, 2016, pursuant to the Exchange Act (file number 001-36223)).
4.6	Indenture, dated as of May 31, 2016, among Aramark Services, Inc., as issuer, Aramark, as parent guarantor, the subsidiary guarantors named therein and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.3 of Aramark's Current Report on Form 8-K filed with the SEC on June 6, 2016, pursuant to the Exchange Act (file number 001-36223)).
4.7	Registration Rights Agreement, dated as of May 31, 2016, among Aramark Services, Inc., Aramark, the subsidiary guarantors named therein and Wells Fargo Securities, LLC, as representative of the several initial purchasers (certain 5.125% Senior Notes due 2024 of Aramark Service, Inc.) (incorporated by reference to Exhibit 4.4 of Aramark's Current Report on Form 8-K filed with the SEC on June 6, 2016, pursuant to the Exchange Act (file number 001-36223)).
4.8	Registration Rights Agreement, dated as of May 31, 2016, among Aramark Services, Inc., Aramark, the subsidiary guarantors named therein and Wells Fargo Securities, LLC, as representative of the several initial purchasers (4.75% Senior Notes due 2016 of Aramark Services, Inc.) (incorporated by reference to Exhibit 4.5 of Aramark's Current Report on Form 8-K filed with the SEC on June 6, 2016, pursuant to the Exchange Act (file number 001-36223)).
10.1	Amendment Agreement, dated as of February 24, 2014 (the "2014 Amendment Agreement"), to the Credit Agreement, dated as of January 26, 2007, as amended and restated as of March 26, 2010, as further amended and supplemented prior to the date of the Amendment Agreement by and among Aramark Services, Inc., ARAMARK Canada Ltd., ARAMARK Investments Limited, ARAMARK Ireland Holdings Limited, ARAMARK Holdings GMBH & Co. KG, ARAMARK GMBH, ARAMARK Intermediate Holdco Corporation, the Guarantors (as defined therein) party thereto, the Lenders (as defined therein) and JPMorgan Chase Bank, N.A., as administrative agent, collateral agent, issuing bank and as LC facility issuing bank and the other parties thereto from time to time (incorporated by reference to Exhibit 10.67 to Aramark's Form S-1/A filed with the SEC on February 26, 2014 (file number 333-194077)).

- 10.2 Amendment Agreement No. 1, dated as of March 28, 2014, to the Amendment Agreement, dated as of February 24, 2014, to the Credit Agreement, dated as of January 26, 2007, as amended and restated as of March 26, 2010, as further amended and supplemented prior to the date of the Amendment Agreement by and among Aramark Services, Inc., ARAMARK Canada Ltd., ARAMARK Investments Limited, ARAMARK Ireland Holdings Limited, ARAMARK Holdings GMBH & Co. KG, ARAMARK GMBH, ARAMARK Intermediate Holdco Corporation, the Guarantors (as defined therein) party thereto, the Lenders (as defined therein) and JPMorgan Chase Bank, N.A., as administrative agent, collateral agent, issuing bank and as LC facility issuing bank and the other parties thereto from time to time (incorporated by reference to Exhibit 10.1 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on May 8, 2014, pursuant to the Exchange Act (file number 001-36223))
- 10.3 Assumption Agreement, dated as of March 30, 2007, relating to the Credit Agreement dated as of January 26, 2007 among Aramark Services, Inc., the other Borrowers and Loan Guarantors party thereto, the Lenders party thereto, Citibank, N.A., as administrative agent and collateral agent for the Lenders, and the other parties thereto from time to time (incorporated by reference to Exhibit 99.2 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on April 5, 2007, pursuant to the Exchange Act (file number 001-04762)).
- 10.4 Joinder Agreement, dated as of December 17, 2013, between each New Subsidiary listed on Schedule I thereto and JPMorgan Chase Bank, N.A., as agent (incorporated by reference to Exhibit 10.64 to Aramark's Form S-4 filed with the SEC on December 17, 2013 (file number 333-192907)).
- 10.5 U.S. Pledge and Security Agreement, dated as of January 26, 2007, among ARAMARK Intermediate Holdco Corporation, RMK Acquisition Corporation, Aramark Services, Inc., the Subsidiary Parties from time to time party thereto and Citibank, N.A., as collateral agent (incorporated by reference to Exhibit 10.2 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on February 1, 2007, pursuant to the Exchange Act (file number 001-04762)).
- 10.6 Amended and Restated Registration Rights and Coordination Committee Agreement, dated as of December 10, 2013, among Aramark and the other parties thereto (incorporated by reference to Exhibit 10.2 to Aramark's Current Report on Form 8-K filed with the SEC on December 16, 2013, pursuant to the Exchange Act (file number 001-36223)).
- 10.7† Letter Agreement dated May 7, 2012 between Aramark Services, Inc. and Eric Foss (incorporated by reference to Exhibit 10.4 to Aramark Services, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on May 9, 2012, pursuant to the Exchange Act (file number 001-04762)).
- 10.8† Agreement Relating to Employment and Post-Employment Competition dated May 7, 2012 between Aramark Services, Inc. and Eric Foss (incorporated by reference to Exhibit 10.5 to Aramark Services, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on May 9, 2012, pursuant to the Exchange Act (file number 001-04762)).
- 10.9† Amendment, effective as of June 25, 2013, to the Letter Agreement dated May 7, 2012 between Aramark Services, Inc. and Eric Foss (incorporated by reference to Exhibit 10.6 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on June 26, 2013, pursuant to the Exchange Act (file number 001-04762)).
- 10.10† Form of Agreement Relating to Employment and Post-Employment Competition and Schedule 1 listing each Executive Officer who is a party to such Agreement (incorporated by reference to Exhibit 10.1 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on July 19, 2007, pursuant to the Exchange Act (file number 001-04762)).
- 10.11† Form of Amendment to Agreement Relating to Employment and Post-Employment Competition (incorporated by reference to Exhibit 10.8 to Aramark Services, Inc.'s Annual Report on Form 10-K filed with the SEC on December 15, 2008, pursuant to the Exchange Act (file number 001-04762)).
- 10.12† Offer Letter dated July 20, 2012 between Aramark Services, Inc. and Stephen R. Reynolds (incorporated by reference to Exhibit 10.12 to Aramark Services, Inc.'s Annual Report on Form 10-K filed with the SEC on December 20, 2012, pursuant to the Exchange Act (file number 001-04762)).
- 10.13† Agreement Relating to Employment and Post-Employment Competition dated December 6, 2012 between Aramark Services, Inc. and Stephen R. Reynolds (incorporated by reference to Exhibit 10.13 to Aramark Services, Inc.'s Annual Report on Form 10-K filed with the SEC on December 20, 2012, pursuant to the Exchange Act (file number 001-04762)).
- 10.14† Offer Letter dated March 12, 2015, between Aramark and Stephen P. Bramlage, Jr. (incorporated by reference to Exhibit 10.1 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on May 13, 2015, pursuant to the Exchange Act (file number 001-36223)).
- 10.15† Agreement Relating to Employment and Post-Employment Competition dated March 12, 2015 between Aramark and Stephen P. Bramlage, Jr. (incorporated by reference to Exhibit 10.2 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on May 13, 2015, pursuant to the Exchange Act (file number 001-36223)).
- 10.16\*† Offer Letter dated October 13, 2014, between Aramark and Harrald Kroeker
- 10.17\*† Agreement Relating to Employment and Post-Employment Competition dated November 26, 2013 between Aramark Corporation and Harrald Kroeker

- 10.18† Form of Indemnification Agreement and attached schedule (incorporated by reference to Exhibit 10.4 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on August 10, 2005, pursuant to the Exchange Act (file number 001-04762)).
- 10.19† Indemnification Agreement dated May 7, 2012 between Eric Foss and Aramark Services, Inc. (incorporated by reference to Exhibit 10.6 to Aramark Services, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on May 9, 2012, pursuant to the Exchange Act (file number 001-04762)).
- 10.20† Indemnification Agreement dated December 12, 2012 between Stephen R. Reynolds and Aramark Services, Inc. (incorporated by reference to Exhibit 10.22 to Aramark Services, Inc.'s Annual Report on Form 10-K filed with the SEC on December 20, 2012, pursuant to the Exchange Act (file number 001-04762)).
- 10.21† Indemnification Agreement dated February 4, 2014 between Daniel J. Heinrich and Aramark (incorporated by reference to Exhibit 10.1 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on February 5, 2014, pursuant to the Exchange Act (file number 001-36223)).
- 10.22† Indemnification Agreement dated February 4, 2014 between Stephen Sadove and Aramark (incorporated by reference to Exhibit 10.2 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on February 5, 2014, pursuant to the Exchange Act (file number 001-36223)).
- 10.23† Indemnification Agreement dated April 6, 2015, between Stephen P. Bramlage, Jr. and Aramark (incorporated by reference to Exhibit 10.3 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on May 13, 2015, pursuant to the Exchange Act (file number 001-36223)).
- 10.24† Aramark 2001 Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to Aramark Services, Inc.'s Registration Statement on Form S-8 filed with the SEC on May 24, 2002 (file number 333-89120)).
- 10.25† Amended and Restated Aramark 2001 Stock Unit Retirement Plan (incorporated by reference to Exhibit 10.22 to Aramark Services, Inc.'s Annual Report on Form 10-K filed with the SEC on December 19, 2003, pursuant to the Exchange Act (file number 001-04762)).
- 10.26† Second Amended and Restated Aramark Savings Incentive Retirement Plan (incorporated by reference to Exhibit 10.45 to Aramark's Form S-1/A filed with the SEC on November 19, 2013, (file number 333-191057)).
- 10.27† Amended Survivor Income Protection Plan (incorporated by reference to Exhibit 10.5 to Aramark Services, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on August 8, 2007, pursuant to the Exchange Act (file number 001-04762)).
- 10.28† Second Amended and Restated Aramark 2005 Deferred Compensation Plan (incorporated by reference to Exhibit 10.48 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.29† Third Amended and Restated 2005 Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on February 10, 2016, pursuant to the Exchange Act (file number 001-36233)).
- 10.30† Amended and Restated Aramark Senior Executive Performance Bonus Plan (incorporated by reference to Exhibit 10.49 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.31† Amended and Restated Executive Leadership Council Management Incentive Bonus Plan (2014) (incorporated by reference to Exhibit 10.50 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.32† Amended and Restated Aramark Executive Leadership Council Management Incentive Bonus Plan (2016) (incorporated by reference to Exhibit 10.1 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on February 10, 2016, pursuant to the Exchange Act (file number 001-36233)).
- 10.33\*† Amended and Restated Aramark Executive Leadership Council Management Incentive Bonus Plan.
- 10.34† Aramark 2005 Deferred Compensation Plan for Directors (incorporated by reference to Exhibit 10.67 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.35† Fifth Amended and Restated Aramark 2007 Management Stock Incentive Plan (incorporated by reference to Exhibit 10.22 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.36† Aramark 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.70 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.37† Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.5 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on February 1, 2007, pursuant to the Exchange Act (file number 001-04762)).
- 10.38† Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to Aramark Services, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on August 8, 2007, pursuant to the Exchange Act (file number 001-04762)).
- 10.39† Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.3 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on November 16, 2007, pursuant to the Exchange Act (file number 001-04762)).
- 10.40† Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.3 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on March 1, 2010, pursuant to the Exchange Act (file number 001-04762)).



- 10.41† Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.3 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on June 22, 2011, pursuant to the Exchange Act (file number 001-04762)).
- 10.42† Amendment to Outstanding Non-Qualified Stock Option Agreements dated March 1, 2010 (incorporated by reference to Exhibit 10.1 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on March 1, 2010, pursuant to the Exchange Act (file number 001-04762)).
- 10.43† Form of Amendment to Outstanding Non-Qualified Stock Option Agreements (incorporated by reference to Exhibit 10.4 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on June 22, 2011, pursuant to the Exchange Act (file number 001-04762)).
- 10.44† Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to Aramark Services, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on May 9, 2012, pursuant to the Exchange Act (file number 001-04762)).
- 10.45† Form of Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.2 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on June 26, 2013, pursuant to the Exchange Act (file number 001-04762)).
- 10.46† Form of Time-Based Restricted Stock Unit Award Agreement with Aramark (incorporated by reference to Exhibit 10.3 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on June 26, 2013, pursuant to the Exchange Act (file number 00104762)).
- 10.47† Form of Restricted Stock Award Agreement with Aramark (incorporated by reference to Exhibit 10.4 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on June 26, 2013, pursuant to the Exchange Act (file number 001-04762)).
- 10.48† Form of Replacement Stock Option Award Agreement with Aramark (incorporated by reference to Exhibit 10.5 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on June 26, 2013, pursuant to the Exchange Act (file number 001-04762)).
- 10.49† Schedule 1s to Outstanding Non-Qualified Stock Option Agreements (incorporated by reference to Exhibit 10.18 to Aramark Services, Inc.'s Annual Report on Form 10-K filed with the SEC on December 15, 2009, pursuant to the Exchange Act (file number 001-04762)).
- 10.50† Schedules 1 to Outstanding Non-Qualified Stock Option Agreements (incorporated by reference to Exhibit 10.2 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on March 1, 2010, pursuant to the Exchange Act (file number 001-04762)).
- 10.51† New Schedule 1 to Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on November 18, 2011, pursuant to the Exchange Act (file number 001-04762)).
- 10.52† Revised Schedule 1s to outstanding Non-Qualified Stock Option Agreements (incorporated by reference to Exhibit 10.3 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on November 18, 2011, pursuant to the Exchange Act (file number 001-04762)).
- 10.53† New Schedule 1 to Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.1 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on November 19, 2012, pursuant to the Exchange Act (file number 001-04762)).
- 10.54† Revised Schedule 1s to outstanding Non-Qualified Stock Option Agreements (incorporated by reference to Exhibit 10.2 to Aramark Services, Inc.'s Current Report on Form 8-K filed with the SEC on November 19, 2012, pursuant to the Exchange Act (file number 001-04762)).
- 10.55† Revised Schedule 1s to Outstanding Non-Qualified Stock Option Agreements (incorporated by reference to Exhibit 10.68 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.56† Form of Amendment to Outstanding Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.69 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.57† Form of Non-Qualified Stock Option Award under the Aramark 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.71 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.58† Form of Restricted Stock Unit Award under the Aramark 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.72 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.59† Form of Performance Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on February 5, 2014, pursuant to the Exchange Act (file number 001-36223)).
- 10.60† Form of Performance Stock Unit Award Agreement (Revised) (incorporated by reference to Exhibit 10.26 to Aramark's Annual Report on Form 10-K filed with the SEC on December 3, 2014, pursuant to the Exchange Act (file number 001-36223)).
- 10.61† Form of Performance Stock Unit Award Agreement (Revised) (incorporated by reference to Exhibit 10.2 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on August 12, 2015, pursuant to the Exchange Act (file number 001-36223)).

- 10.62† Form of Performance Restricted Stock Award (incorporated by reference to Exhibit 10.61 to Aramark's Annual Report on Form 10-K filed with the SEC on December 1, 2015, pursuant to the Exchange Act (file number 001-36223)).
- 10.63† Form of Non-Qualified Stock Option Award Agreement (Relative TSR Vesting) (incorporated by reference to Exhibit 10.62 to Aramark's Annual Report on Form 10-K filed with the SEC on December 1, 2015, pursuant to the Exchange Act (file number 001-36223)).
- 10.64† Form of Restricted Stock Unit Award Agreement (Relative TSR Vesting) (incorporated by reference to Exhibit 10.63 to Aramark's Annual Report on Form 10-K filed with the SEC on December 1, 2015, pursuant to the Exchange Act (file number 001-36223)).
- 10.65† Form of Performance Restricted Stock Award Agreement (Relative TSR Vesting) (incorporated by reference to Exhibit 10.64 to Aramark's Annual Report on Form 10-K filed with the SEC on December 1, 2015, pursuant to the Exchange Act (file number 001-36223)).
- 10.66† Form of Deferred Stock Unit Award Agreement under the Fifth Amended and Restated Aramark 2007 Management Stock Incentive Plan (incorporated by reference to Exhibit 10.46 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.67\*† Form of Schedule I to Performance Stock Unit Award Agreement
- 10.68\*† Form of Schedule I to Performance Restricted Stock Award Agreement
- 10.69\*† Form of Schedule I to Non-Qualified Stock Option Award Agreement (Relative TSR Vesting)
- 10.70\*† Form of Schedule I to Restricted Stock Unit Award Agreement (Relative TSR Vesting)
- 10.71\*† Form of Schedule I to Performance Restricted Stock Award Agreement (Relative TSR Vesting)
- 10.72† Form of Deferred Stock Unit Award under the Aramark 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.73 to Aramark's Form S-1/A filed with the SEC on November 19, 2013 (file number 333-191057)).
- 10.73† Form of Deferred Stock Unit Award Agreement under the Aramark 2013 Stock Incentive Plan (Revised) (incorporated by reference to Exhibit 10.77 to Aramark's Annual Report on Form 10-K filed with the SEC on December 3, 2014, pursuant to the Exchange Act (file number 001-36223)).
- 10.74† Form of Deferred Stock Unit Agreement under the Aramark 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Aramark's Quarterly Report on Form 10-Q filed with the SEC on May 13, 2015, pursuant to the Exchange Act (file number 001-36223)).
- 10.75† Form of Aircraft Timesharing Agreement (incorporated by reference to Exhibit 10.69 to Aramark's Annual Report on Form 10-K filed with the SEC on December 1, 2015, pursuant to the Exchange Act (file number 001-36223)).
- 10.76 Amended and Restated Master Distribution Agreement effective as of March 5, 2011 between SYSCO Corporation and ARAMARK Food and Support Services Group, Inc. (incorporated by reference to Exhibit 10.1 to Aramark Services, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on May 12, 2011, pursuant to the Exchange Act (file number 001-04762)) (portions omitted pursuant to a grant of confidential treatment).
- 10.77 Amendment Agreement, dated February 26, 2014, to the Master Distribution Agreement dated as of November 25, 2006, between SYSCO Corporation and ARAMARK Food and Support Services Group, Inc., as amended and restated effective as of March 5, 2011 (incorporated by reference to Exhibit 10.71 to Aramark's Form S-1/A filed with the SEC on February 26, 2014 (file number 333-194077)) (portions omitted pursuant to a grant of confidential treatment).
- 12.1\* Ratio of Earnings to Fixed Charges.
- 21.1\* List of subsidiaries of Aramark.
- 23.1\* Consent of Independent Registered Public Accounting Firm-KPMG LLP.
- 31.1\* Certification of Eric Foss, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification of Stephen P. Bramlage, Jr., Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1\* Certification of Eric Foss, Chief Executive Officer, and Stephen P. Bramlage, Jr., Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS\* XBRL Instance Document
- 101.SCH\* XBRL Taxonomy Extension Schema Document
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

† Identifies exhibits that consist of management contract or compensatory arrangement.

## **Selected Operational and Financial Metrics**

### **Adjusted Sales (Organic)**

Management believes that presentation of sales growth, adjusted to eliminate the effects of material acquisitions and divestitures and the impact of currency translation, provides useful information to investors because it enhances comparability between the current year and prior year reporting periods.

### **Adjusted Operating Income**

Adjusted Operating Income represents operating income adjusted to eliminate the change in amortization of acquisition-related customer relationship intangible assets and depreciation of property and equipment resulting from the going-private transaction in 2007 (the "2007 LBO"); the impact of the change in fair value related to certain gasoline and diesel agreements; severance and other charges; share-based compensation; the effects of material acquisitions and divestitures and other items impacting comparability.

### **Adjusted Operating Income (Constant Currency)**

Adjusted Operating Income (Constant Currency) represents Adjusted Operating Income adjusted to eliminate the impact of currency translation.

### **Covenant Adjusted EBITDA**

Covenant Adjusted EBITDA represents net income attributable to Aramark stockholders adjusted for interest and other financing costs, net; provision (benefit) for income taxes; depreciation and amortization; and certain other items as defined in our debt agreements required in calculating covenant ratios and debt compliance.

### **Adjusted Net Income**

Adjusted Net Income represents net income attributable to Aramark stockholders adjusted to eliminate the change in amortization of acquisition-related customer relationship intangible assets and depreciation of property and equipment resulting from the 2007 LBO; the impact of changes in the fair value related to certain gasoline and diesel agreements; severance and other charges; share-based compensation; the effects of material acquisitions and divestitures and other items impacting comparability, less the tax impact of these adjustments. The tax effect for adjusted net income for our U.S. earnings is calculated using a blended U.S. federal and state tax rate. The tax effect for adjusted net income in jurisdictions outside the U.S. is calculated at the U.S. federal tax rate. Management believes that the presentation of adjusted net income is useful information to investors because we use such information when evaluating net income to better evaluate the underlying operating performance of the Company.

### **Adjusted Net Income (Constant Currency)**

Adjusted Net Income (Constant Currency) represents Adjusted Net Income adjusted to eliminate the impact of currency translation.

We use Adjusted Sales (Organic), Adjusted Operating Income (including on a constant currency basis), Covenant Adjusted EBITDA and Adjusted Net Income (including on a constant currency basis) as supplemental measures of our operating profitability and to control our cash operating costs. We believe these financial measures are useful to investors because they enable better comparisons of our historical results and allow our investors to evaluate our performance based on the same metrics that we use to evaluate our performance and trends in our results. These financial metrics are not measurements of financial performance under generally accepted accounting principles, or GAAP. Our presentation of these metrics has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. You should not consider these measures as alternatives to sales, operating income or net income, determined in accordance with GAAP. Adjusted Sales (Organic), Adjusted Operating Income, Covenant Adjusted EBITDA and Adjusted Net Income as presented by us, may not be comparable to other similarly titled measures of other companies because not all companies use identical calculations.

### **Free Cash Flow**

Free Cash Flow represents net cash provided by operating activities less net purchases of property and equipment, client contract investments and other.

## **Explanatory Notes to the Non-GAAP Schedules**

**Amortization of acquisition-related customer relationship intangible assets and depreciation of property and equipment resulting from the 2007 Leveraged Buy-out** - adjustments to eliminate the change in amortization and depreciation resulting from the purchase accounting applied to the January 26, 2007 going-private transaction executed with investment funds affiliated with GS Capital Partners, CCMP Capital Advisors, LLC and J.P. Morgan Partners, LLC, Thomas H. Lee Partners, L.P. and Warburg Pincus LLC as well as approximately 250 senior management personnel.

**Share-based compensation** - adjustments to eliminate compensation expense related to the Company's issuances of share-based awards and the related employer payroll tax expense incurred by the Company when employees exercise in the money stock options or vest in restricted stock awards.

**Severance and other charges** - adjustments to eliminate severance expenses and other costs incurred in the applicable period such as costs incurred to start-up our Business Service Center in Nashville, TN (\$0.7 million for the fourth quarter of 2015 and \$15.0 million for fiscal 2015), organizational streamlining initiatives (\$15.9 million net expense for the fourth quarter of 2016 and \$24.9 million net expense for fiscal 2016 and \$26.5 million net expense for the fourth quarter of 2015 and \$27.5 million net expense for the fiscal 2015), other consulting costs related to transformation initiatives (\$4.8 million for the fourth quarter of 2016 and \$16.2 million for fiscal 2016 and \$0.1 million for the fourth quarter of 2015 and \$7.9 million for fiscal 2015) and asset write-offs, mainly from the exit of certain operations in the FSS International segment (\$0.6 million for the fourth quarter and fiscal 2016 and \$16.2 million for the fourth quarter and fiscal 2015).

**Effects of acquisitions and divestitures** - adjustments to eliminate the impact that material acquisitions and divestitures had on the comparative periods.

**Gains, losses and settlements impacting comparability** - adjustments to eliminate certain transactions that are not indicative of our ongoing operational performance such as expenses related to acquisition costs (\$2.4 million for the fourth quarter of 2016 and \$3.9 million for fiscal 2016 and \$0.4 million for the fourth quarter of 2015 and \$0.9 million for fiscal 2015), expenses related to long-term disability obligations (approximately \$2.3 million for fiscal 2016), property and other asset write-downs associated with the sale of a building (\$6.8 million for fiscal 2016 and \$8.7 million for fiscal 2015), asset write-offs (\$7.0 million for the fourth quarter and fiscal 2016), multiemployer pension plan withdrawal charges (\$2.6 million for the fourth quarter and fiscal 2016 and \$0.8 million for fiscal 2015), the impact of the change in fair value related to certain gasoline and diesel agreements (no impact for the fourth quarter of fiscal 2016 and \$8.3 million gain for fiscal 2016 and a \$2.8 million loss for the fourth quarter of 2015 and a loss of \$2.6 million for fiscal 2015), insurance reserve adjustments due to favorable claims experience (\$0.3 million for the fourth quarter of 2015 and \$10.2 million for fiscal 2015), loss on divestitures (\$4.3 million for fiscal 2015), a gain on sale of a building (\$3.1 million for the fourth quarter and fiscal 2015), other income relating to the recovery of the Company's investment (possessory interest) at our National Park Service sites (\$2.0 million for fourth quarter and fiscal 2015), expenses related to a secondary offering of common stock by certain of our stockholders (\$0.4 million for the fourth quarter of 2015 and \$2.2 million for fiscal 2015) and other miscellaneous expenses.

**Effect of currency translation** - adjustments to eliminate the impact that fluctuations in currency translation rates had on the comparative results by presenting the periods on a constant currency basis. Assumes constant foreign currency exchange rates based on the rates in effect for the prior year period being used in translation for the comparable current year period.

**Effects of refinancing on interest and other financing costs, net** - adjustments to eliminate expenses associated with refinancing activities undertaken by the Company in the applicable period such as third party costs, debt settlement call premiums and non-cash charges for the write-offs of deferring financing costs and debt issuance costs.

**Tax Impact of Adjustments to Adjusted Net Income** - adjustments to eliminate the net tax impact of the adjustments to adjusted net income calculated based on a blended U.S. federal and state tax rate for U.S. adjustments and the U.S. federal tax rate for adjustments in jurisdictions outside the U.S.

**ARAMARK AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP MEASURES**  
**ADJUSTED CONSOLIDATED OPERATING INCOME MARGIN**

(Unaudited)  
(In thousands)

	Fiscal 2016	Fiscal 2015
Sales (as reported)	\$ 14,415,829	\$ 14,329,135
Operating Income (as reported)	\$ 746,314	\$ 627,938
Operating Income Margin (as reported)	5.2%	4.4%
Sales (as reported)	\$ 14,415,829	\$ 14,329,135
Effect of Currency Translation	259,424	-
Effect of Acquisitions and Divestitures	(48,155)	(9,377)
Adjusted Sales (Organic)	\$ 14,627,098	\$ 14,319,758
Operating Income (as reported)	\$ 746,314	\$ 627,938
Amortization of Acquisition-Related Customer Relationship Intangible Assets and Depreciation of Property and Equipment Resulting from the Transaction	78,174	110,080
Share-Based Compensation	59,358	72,800
Severance and Other Charges	41,736	66,545
Effect of Acquisitions and Divestitures	275	(421)
Gains, Losses and Settlements impacting comparability	13,447	3,793
Adjusted Operating Income	\$ 939,304	\$ 880,735
Effect of Currency Translation	12,407	-
Adjusted Operating Income (Constant Currency)	\$ 951,711	\$ 880,735
Adjusted Operating Income Margin (Constant Currency)	6.51%	6.15%
	Fiscal 2014	Fiscal 2013
Sales (as reported)	\$ 14,832,913	\$ 13,945,657
Operating Income (as reported)	\$ 564,563	\$ 514,474
Operating Income Margin (as reported)	3.8%	3.7%
Sales (as reported)	\$ 14,832,913	\$ 13,945,657
Effect of Currency Translation	(470,565)	(106,188)
Effect of Acquisitions and Divestitures	(3,774)	(25,477)
Adjusted Sales	\$ 14,358,574	\$ 13,813,992
Estimated Impact of 53rd Week	(257,963)	-
Adjusted Sales (Organic)	\$ 14,100,611	\$ 13,813,992
Operating Income (as reported)	\$ 564,563	\$ 514,474
Amortization of Acquisition-Related Customer Relationship Intangible Assets and Depreciation of Property and Equipment Resulting from the Transaction	129,505	155,443
Share-Based Compensation	47,522	19,417
Effect of Currency Translation	(27,955)	(6,063)
Severance and Other Charges	53,554	113,464
Effect of Acquisitions and Divestitures	(71)	(5,992)
Branding	26,910	968
Initial Public Offering-Related Expenses, including share-based compensation	56,133	-
Gains, Losses and Settlements impacting comparability	1,911	(10,251)
Adjusted Operating Income	\$ 852,072	\$ 781,460
Adjusted Operating Income Margin	5.93%	5.66%
	Fiscal 2012	
Sales (as reported)	\$ 13,505,426	
Operating Income (as reported)	\$ 581,775	
Operating Income Margin (as reported)	4.3%	
Sales (as reported)	\$ 13,505,426	
Effect of Currency Translation	(1,262)	
Effect of Acquisitions and Divestitures	(133,242)	
Adjusted Sales (Organic)	\$ 13,370,922	
Operating Income (as reported)	\$ 581,775	
Amortization of Acquisition-Related Customer Relationship Intangible Assets and Depreciation of Property and Equipment Resulting from the Transaction	152,751	
Share-Based Compensation	15,678	
Severance and Other Charges	5,360	
Gains, Losses and Settlements impacting comparability	(9,477)	
Adjusted Operating Income	\$ 746,087	
Adjusted Operating Income Margin	5.58%	

**ARAMARK AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP MEASURES**  
**ADJUSTED NET INCOME & ADJUSTED EPS**

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended September 30, 2016	Three Months Ended October 2, 2015	Fiscal Year Ended September 30, 2016	Fiscal Year Ended October 2, 2015
<b>Net Income Attributable to Aramark Stockholders (as reported)</b>	\$ 83,344	\$ 56,865	\$ 287,806	\$ 235,946
<i>Adjustment:</i>				
Amortization of Acquisition-Related Customer Relationship Intangible Assets and Depreciation of Property and Equipment Resulting from the 2007 I.BO	16,710	27,156	78,174	110,080
Share-Based Compensation	13,997	15,325	59,358	72,800
Severance and Other Charges	21,321	43,545	41,736	66,545
Effects of Acquisitions and Divestitures	(1,012)	—	275	—
Gains, Losses and Settlements impacting comparability	12,022	(1,499)	13,447	3,793
Effects of Refinancing on Interest and Other Financing Costs, net	—	—	31,267	—
Tax Impact of Adjustments to Adjusted Net Income	(24,090)	(32,181)	(87,025)	(102,485)
<b>Adjusted Net Income</b>	<u>\$ 122,292</u>	<u>\$ 109,211</u>	<u>\$ 425,038</u>	<u>\$ 386,679</u>
Effect of Currency Translation, net of Tax	(246)	—	7,802	—
<b>Adjusted Net Income (Constant Currency)</b>	<u>\$ 122,046</u>	<u>\$ 109,211</u>	<u>\$ 432,840</u>	<u>\$ 386,679</u>
<b>Earnings Per Share (as reported)</b>				
Net Income Attributable to Aramark Stockholders (as reported)	\$ 83,344	\$ 56,865	\$ 287,806	\$ 235,946
Diluted Weighted Average Shares Outstanding	250,135	247,498	248,763	246,616
	<u>\$ 0.33</u>	<u>\$ 0.23</u>	<u>\$ 1.16</u>	<u>\$ 0.96</u>
Earnings Per Share Growth (as reported)			<u>20.83%</u>	
<b>Adjusted Earnings Per Share</b>				
Adjusted Net Income	\$ 122,292	\$ 109,211	\$ 425,038	\$ 386,679
Diluted Weighted Average Shares Outstanding	250,135	247,498	248,763	246,616
	<u>\$ 0.49</u>	<u>\$ 0.44</u>	<u>\$ 1.71</u>	<u>\$ 1.57</u>
<b>Adjusted Earnings Per Share (Constant Currency)</b>				
Adjusted Net Income (Constant Currency)	\$ 122,046	\$ 109,211	\$ 432,840	\$ 386,679
Diluted Weighted Average Shares Outstanding	250,135	247,498	248,763	246,616
	<u>\$ 0.49</u>	<u>\$ 0.44</u>	<u>\$ 1.74</u>	<u>\$ 1.57</u>
Adjusted Earnings Per Share Growth			<u>10.83%</u>	

**ARAMARK AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP MEASURES**  
**ADJUSTED NET INCOME, ADJUSTED OPERATING INCOME, ADJUSTED EBITDA & ADJUSTED EPS**  
(Unaudited)  
(In thousands, except per share amounts)

	Twelve Months Ended October 2, 2015	Twelve Months Ended October 3, 2014	Twelve Months Ended September 27, 2013	Twelve Months Ended September 28, 2012
<b>Net Income (as reported)</b>	\$ 236,976	\$ 149,459	\$ 70,366	\$ 107,199
<i>Adjustment:</i>				
Loss from Discontinued Operations, net of tax	-	-	1,030	(297)
Amortization of Acquisition-Related Customer Relationship Intangible Assets and Depreciation of Property and Equipment Resulting from the Transaction	110,080	129,505	155,443	152,751
Share-Based Compensation	72,800	47,522	19,417	15,678
Effect of Currency Translation	-	(27,955)	(6,063)	-
Severance and Other Charges	66,545	53,554	113,464	5,360
Effects of Acquisitions and Divestitures	(421)	(71)	(5,992)	-
Branding	-	26,910	968	-
Initial Public Offering-Related Expenses, including share-based compensation	-	56,133	-	-
Gains, Losses and Settlements impacting comparability	3,793	1,911	(10,251)	(9,477)
Effects of Refinancings on Interest and Other Financing Costs, net	-	25,705	39,830	-
Tax Impact of Adjustments to Adjusted Net Income	(102,485)	(118,658)	(116,572)	(64,903)
<b>Adjusted Net Income</b>	<u>\$ 387,288</u>	<u>\$ 344,015</u>	<u>\$ 261,640</u>	<u>\$ 206,311</u>
<i>Adjustment:</i>				
Tax Impact of Adjustments to Adjusted Net Income and Interest Adjustments	102,485	92,953	76,742	64,903
Provision for Income Taxes	105,020	80,218	19,233	18,066
Interest and Other Financing Costs, net	285,942	334,886	423,845	456,807
<b>Adjusted Operating Income</b>	<u>\$ 880,735</u>	<u>\$ 852,072</u>	<u>\$ 781,460</u>	<u>\$ 746,087</u>
<i>Adjustment:</i>				
Amortization of Acquisition-Related Customer Relationship Intangible Assets and Depreciation of Property and Equipment Resulting from the Transaction	(110,080)	(129,505)	(155,443)	(152,751)
Depreciation and Amortization	504,033	521,581	542,136	529,213
<b>Adjusted EBITDA</b>	<u>\$ 1,274,688</u>	<u>\$ 1,244,148</u>	<u>\$ 1,168,153</u>	<u>\$ 1,122,549</u>
<b>Adjusted Earnings Per Share</b>				
Adjusted Net Income	\$ 387,288	\$ 344,015	\$ 261,640	\$ 206,311
Net Income Attributable to Noncontrolling Interest	(1,030)	(503)	(1,010)	(3,648)
Adjusted Net Income Attributable to Aramark Stockholders	\$ 386,258	\$ 343,512	\$ 260,630	\$ 202,663
Diluted Weighted Average Shares Outstanding	246,616	237,451	209,370	209,707
	<u>\$ 1.57</u>	<u>\$ 1.45</u>	<u>\$ 1.24</u>	<u>\$ 0.97</u>



**ARAMARK AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP MEASURES**  
**DEBT TO COVENANT ADJUSTED EBITDA**

(Unaudited)  
(In thousands)

	Fiscal Year Ended	
	September 30, 2016	October 2, 2015
<b>Net income attributable to Aramark stockholders (as reported)</b>	\$ 287,806	\$ 235,946
Interest and other financing costs, net	315,383	285,942
Provision for income taxes	142,699	105,020
Depreciation and amortization	495,765	504,033
Share-based compensation expense <sup>(1)</sup>	56,942	66,416
Unusual or non-recurring (gains) and losses <sup>(2)</sup>	—	(3,900)
Pro forma EBITDA for equity method investees <sup>(3)</sup>	14,277	14,804
Pro forma EBITDA for certain transactions <sup>(4)</sup>	4,098	—
Other <sup>(5)</sup>	35,436	58,858
<b>Covenant Adjusted EBITDA</b>	<b>\$ 1,352,406</b>	<b>\$ 1,267,119</b>
<b>Debt to Covenant Adjusted EBITDA</b>		
Total Long-Term Borrowings	\$ 5,270,036	\$ 5,266,024
Adjusted EBITDA	\$ 1,352,406	\$ 1,267,119
Debt/Adjusted EBITDA	<u>3.9</u>	<u>4.2</u>

- (1) Represents compensation expense related to the Company's issuances of share-based awards but does not include the related employer payroll tax expense incurred by the Company when employees exercise in the money stock options or vest in restricted stock awards.
- (2) Fiscal 2015 includes other income of approximately \$2.0 million related to our investment (possessory interest) at one of our National Park Service client sites and a net of tax gain of approximately \$1.9 million related to the sale of building in our Healthcare sector.
- (3) Represents our estimated share of EBITDA from our AIM Services Co., Ltd. equity method investment not already reflected in our EBITDA. EBITDA for this equity method investee is calculated in a manner consistent with consolidated EBITDA but does not represent cash distributions received from this investee.
- (4) Represents the annualizing of net EBITDA from certain acquisitions and divestitures made during the period.
- (5) Other includes organizational streamlining initiatives (\$24.9 million for fiscal 2016 and \$27.5 million for fiscal 2015), the impact of the change in fair value related to certain gasoline and diesel agreements (\$8.3 million gain for fiscal 2016 and \$2.6 million loss for fiscal 2015), expenses related to acquisition costs (\$3.9 million for fiscal 2016 and \$0.9 million for fiscal 2015), property and other asset write-downs associated with the sale of a building (\$6.8 million for fiscal 2016 and \$8.7 million for fiscal 2015), asset write-offs (\$5.0 million for fiscal 2016 and \$16.2 million for fiscal 2015), expenses related to secondary offerings of common stock by certain of our stockholders (\$2.2 million for fiscal 2015) and other miscellaneous expenses.

**ARAMARK AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP MEASURES**  
**DEBT TO ADJUSTED EBITDA**  
(Unaudited)  
(In thousands)

	Twelve Months Ended October 2, 2015	Twelve Months Ended October 3, 2014	Twelve Months Ended September 27, 2013	Twelve Months Ended September 28, 2012
<b>Net Income (as reported)</b>	\$ 236,976	\$ 149,459	\$ 70,366	\$ 107,199
<i>Adjustment:</i>				
Loss from Discontinued Operations, net of tax	-	-	1,030	(297)
Amortization of Acquisition-Related Customer Relationship Intangible Assets and Depreciation of Property and Equipment Resulting from the Transaction	110,080	129,505	155,443	152,751
Share-Based Compensation	72,800	47,522	19,417	15,678
Effect of Currency Translation	-	(27,955)	(6,063)	-
Severance and Other Charges	66,545	53,554	113,464	5,360
Effects of Acquisitions and Divestitures	(421)	(71)	(5,992)	-
Branding	-	26,910	968	-
Initial Public Offering-Related Expenses, including share-based compensation	-	56,133	-	-
Gains, Losses and Settlements impacting comparability	3,793	1,911	(10,251)	(9,477)
Effects of refinancings on Interest and Other Financing Costs, net	-	25,705	39,830	-
Tax Impact of Adjustments to Adjusted Net Income	(102,485)	(118,658)	(116,572)	(64,903)
<b>Adjusted Net Income</b>	<b>\$ 387,288</b>	<b>\$ 344,015</b>	<b>\$ 261,640</b>	<b>\$ 206,311</b>
<i>Adjustment:</i>				
Tax Impact of Adjustments to Adjusted Net Income and Interest Adjustments	102,485	92,953	76,742	64,903
Provision for Income Taxes	105,020	80,218	19,233	18,066
Interest and Other Financing Costs, net	285,942	334,886	423,845	456,807
<b>Adjusted Operating Income</b>	<b>\$ 880,735</b>	<b>\$ 852,072</b>	<b>\$ 781,460</b>	<b>\$ 746,087</b>
<i>Adjustment:</i>				
Amortization of Acquisition-Related Customer Relationship Intangible Assets and Depreciation of Property and Equipment Resulting from the Transaction	(110,080)	(129,505)	(155,443)	(152,751)
Depreciation and Amortization	504,033	521,581	542,136	529,213
<b>Adjusted EBITDA</b>	<b>\$ 1,274,688</b>	<b>\$ 1,244,148</b>	<b>\$ 1,168,153</b>	<b>\$ 1,122,549</b>
<b>Debt to Adjusted EBITDA</b>				
Total Long-Term Borrowings	\$ 5,293,717	\$ 5,445,594	\$ 5,824,070	\$ 6,008,767
Adjusted EBITDA	\$ 1,274,688	\$ 1,244,148	\$ 1,168,153	\$ 1,122,549
Debt/Adjusted EBITDA	<u>4.15</u>	<u>4.38</u>	<u>4.99</u>	<u>5.35</u>

**ARAMARK AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP MEASURES**  
**FREE CASH FLOW**  
(Unaudited)  
(In thousands)

	Fiscal Year Ended	
	September 30, 2016	October 2, 2015
Net Cash provided by operating activities	\$ 806,640	\$ 683,036
Net purchases of property and equipment, client contract investments and other	(485,708)	(505,256)
Free Cash Flow	\$ 320,932	\$ 177,780
	80.52%	

## Special Note About Forward-Looking Statements

This Annual Report includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views as to future events and our financial performance including, without limitation, statements relating to improvements in our operating performance. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “outlook,” “goal,” “aim,” “anticipate,” “are confident,” “estimate,” “expect,” “will be,” “will continue,” “will likely result,” “project,” “intend,” “plan,” “believe,” “see,” “look to” and other words and terms of similar meaning or the negative versions of such words. Forward-looking statements speak only as of the date made. All statements we make relating to our estimated and projected earnings, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. These risks and uncertainties include, but are not limited to, those described under the headings Item 1A “Risk Factors,” Item 3 “Legal Proceedings” and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other sections of our Annual Report on Form 10-K included herewith. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Annual Report and in our filings with the SEC. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, us. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, changes in our expectations, or otherwise, except as required by law.

# Corporate Information

## SENIOR MANAGEMENT

**Eric J. Foss**  
*Chairman, President and  
Chief Executive Officer*

**Stephen P. Bramlage, Jr.**  
*Executive Vice President and  
Chief Financial Officer*

**Harrald Kroeker**  
*Senior Vice President,  
Transformation*

**Lynn B. McKee**  
*Executive Vice President,  
Human Resources*

**Stephen R. Reynolds**  
*Executive Vice President,  
General Counsel and  
Secretary*

## BOARD OF DIRECTORS

**Eric J. Foss**  
*Chairman, President and  
Chief Executive Officer,  
Aramark*

**Sanjeev Mehra**  
*Advisory Director,  
Goldman, Sachs & Co.  
Lead Director*

**Todd M. Abbrecht**  
*Managing Director,  
Thomas H. Lee Partners, L.P.*

**Lawrence T. Babbio**  
*Former Vice Chairman and President,  
Verizon Communications, Inc.*

**Pierre-Olivier Beckers-Vieujant**  
*Honorary President and  
Chief Executive Officer,  
Delhaize Group*

**Lisa G. Bisaccia**  
*Executive Vice President and  
Chief Human Resources Officer,  
CVS Health Corporation*

**Leonard S. Coleman, Jr.**  
*Former President,  
National League,  
Major League Baseball*

**Richard W. Dreiling**  
*Former Chairman and  
Chief Executive Officer,  
Dollar General Corporation*

**Irene Esteves**  
*Former Chief Financial Officer,  
Time Warner Cable Inc.*

**Daniel J. Heinrich**  
*Former Executive Vice President  
and Chief Financial Officer,  
The Clorox Company*

**John A. Quelch**  
*Charles Edward Wilson Professor  
of Business Administration,  
Harvard Business School; Professor  
in Health Policy and Management,  
Harvard School of Public Health*

**Stephen I. Sadove**  
*Former Chairman and  
Chief Executive Officer,  
Saks Incorporated*

## TRANSFER AGENT

Computershare  
480 Washington Blvd.  
Jersey City, NJ 07310

## CORPORATE HEADQUARTERS

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Philadelphia, PA 19107  
215-238-3000

## WEBSITE

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## INVESTOR RELATIONS DEPARTMENT

215-409-7287  
[investorrelations@aramark.com](mailto:investorrelations@aramark.com)

## AUDITOR

KPMG LLP  
Philadelphia, PA





[www.aramark.com](http://www.aramark.com)