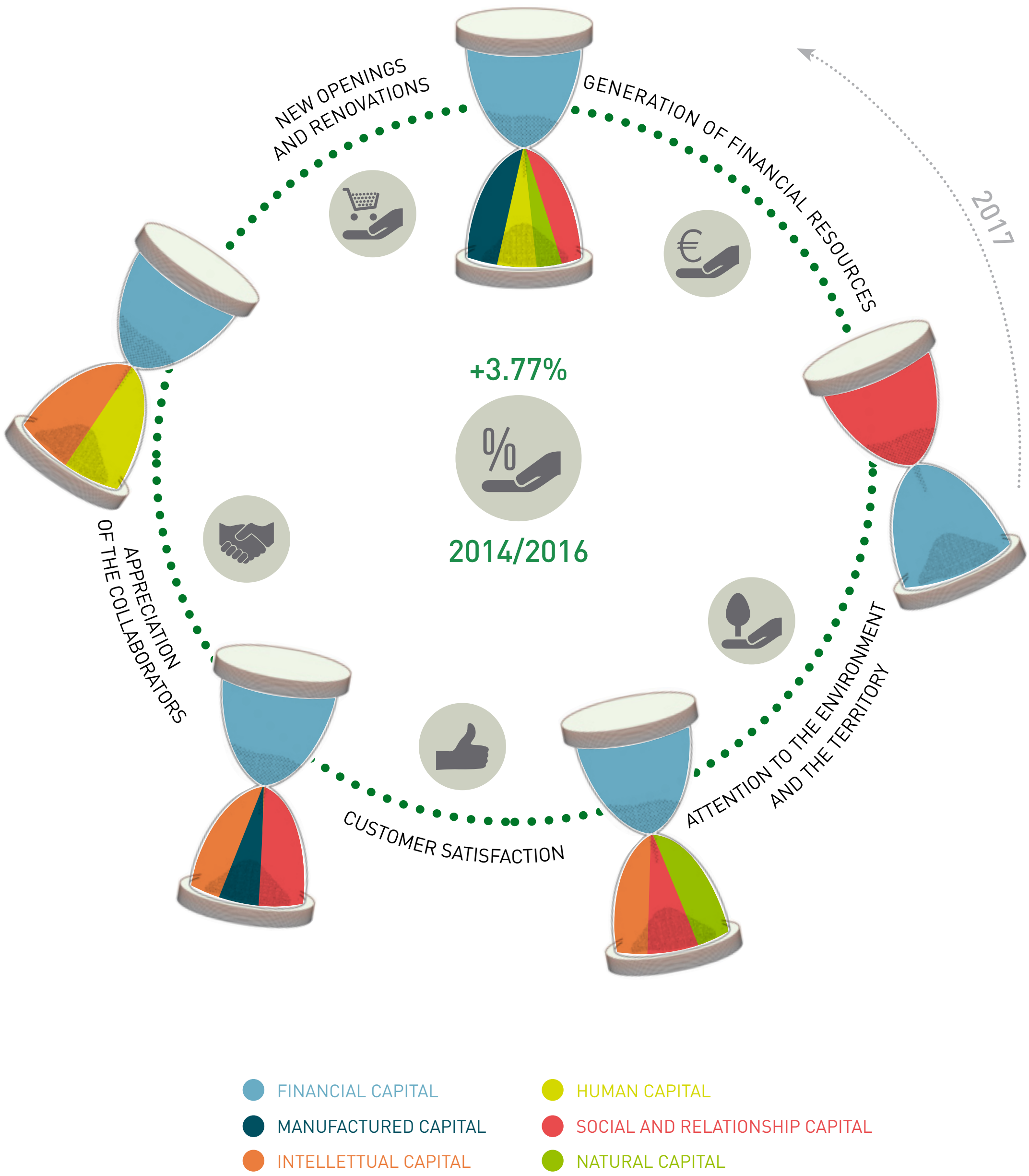
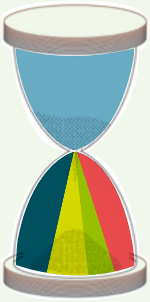
TRADE OFFS BETWEEN CAPITALS

A new perspective on value creation is proposed through the portrayal of major trade offs between generated, transformed or absorbed capitals over time. Value creation (such as its destruction) can in fact be better understood as a change in capital value over time, since each output capital is the result of the transformation of the same capital into inputs realized through the use of one or more of the other capitals.

We describe below the complex interdependencies between capitals, highlighting the main impacts on the capital stocks used in the value creation process over the period 2014/2016. In this way, trade offs are linked to value creation and, thanks to the temporal aspect that characterizes them, they introduce the chapter on future outlook.

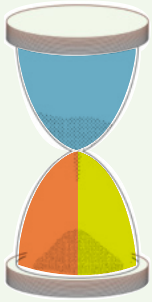
The qualitative and quantitative analysis of the actions undertaken on each capital was carried out by reclassifying the average data for the three years in question, extrapolated from the tables in this chapter "Strategy and Performance".

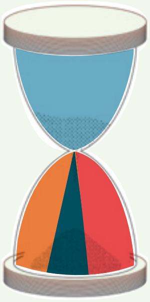




Financial capital generated by good cash flow performance (€ 255 million) over the three-year period allowed investments in core corporate business, that is in renovations and new openings (€ 277 million). This has led to significant human, manufactured, social and environmental performance, marking a rise in the number of recruits by 915 units, 30 new retail stores, € 433 million of credit lines and technology and environmental innovation (such as Led lighting systems in 85 retail stores).

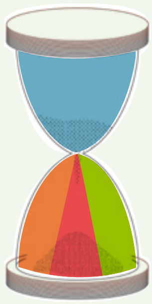
This growth in the sales network has allowed to validate collaborators by investing in training, whose costs for the three year period amount to € 4.6 million, in incentives amounting to € 14.8 million, thereby transforming the financial into human and intellectual capital. In fact, the returns happened on the number of training hours (182,306), the low outgoing turnover (2.76%) and absenteeism rate (3.39%), and the maintenance of the OHSAS 18001 procedure. These positive measures have led to a good corporate climate, as witnessed by high online participation in the relative survey (91%).
Trained collaborators have been able to better meet customer needs, which is the basis for corporate economic growth.

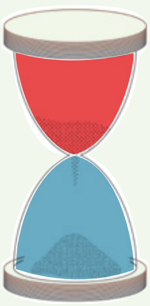




Quality, assortment and multi-channelling have contributed to customer satisfaction.
The relative controls for a careful product analysis (7,994 samples analysed) and an assortment extension of 26,716 subdivided and distributed through sign multichannelling, absorbed financial capital amounting to € 1 million to the benefit of manufactured and intellectual capitals. The pursuit of these goals has yielded results such as an 8.48 rating out of 10 in customer satisfaction, increasing social and relationship capital.

Attention to the environment and the territory is witnessed by numerous investments, such as the € 14.6 million in environmental spending, € 7.9 million in infrastructure, € 12 million in food donations, € 1.7 million in sponsorships, as well as the payment of € 201 million in public administration taxes, allowing the transformation of the various capitals and get returns in intellectual capital, such as the ISO 14001 applied to an increasing number of retail stores, in social capital, leading to 313 sponsorships and, obviously, in natural capital , which saw an increase in waste recycling (+ 0,49%) and a reduction in emissions and consumption (-2,26% and -1,90% respectively), also taking into consideration new openings.





The financial capital absorbed over these three years has allowed the market share to increase of 3,77% and helped to improve the corporate image (rating of 8.29 out of 10). This is because in pursuit of the different strategic objectives, Aspiag Service has reported to multiple stakeholders, thus increasing social capital, distributing an economic value amounting to € 5,089 million over the three-year period. All this has allowed an increase in sales of 7.35% and saving costs for 1 million, generating financial resources to be reallocated.

In fact, as we will see in the continuation, we will continue to have a substantial investment policy, even trying to grasp opportunities for corporate growth through Company acquisitions.
In this sense, our Company shows to be prepared for a future oriented transparent disclosure.