

Use of Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, to supplement the financial results prepared in accordance with GAAP, we use non-GAAP financial measures including non-GAAP net sales on a consolidated and segment basis, non-GAAP selling, general and administrative (SG&A) expense, non-GAAP operating income on a consolidated and segment basis, non-GAAP interest expense, non-GAAP other income (expense) and non-GAAP net income and diluted net income per share. Management believes these non-GAAP financial measures that exclude the impact of specific items (described below) may be useful to investors in their assessment of our ongoing operating performance and provide additional meaningful comparisons between current results and results in prior operating periods.

The reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in the tables below. We believe that the non-GAAP financial measures provide useful information to investors and other users of our financial statements, by allowing for greater transparency in the review of our financial and operating performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating our performance, and we believe these measures similarly may be useful to investors in evaluating our financial and operating performance and the trends in our business from management's point of view. While our management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results.

Non-GAAP financial measures reflect adjustments based on the following items:

- Asset impairment charges: we have excluded the impact of asset impairments on intangible assets and equity method investments as such non-cash amounts are inconsistent in amount and frequency. We believe that the adjustment of these charges supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Gains on disposals of significant plant assets: we have excluded the impact of gains on the disposal of significant plant assets as these represent infrequent transactions that impact the comparability between operating periods. We believe the adjustment of these gains supplements the GAAP information with a measure that may be used to assess the sustainability of our operating performance.
- Loss on early extinguishment of debt: we have excluded the charges associated with the refinancing of our 2018 Notes as the amount and frequency of such charges is not consistent and is significantly impacted by the timing and size of debt financing transactions.
- Tax impact: adjustment represents the impact of the tax effect of the pre-tax non-GAAP adjustments excluded from non-GAAP net income. The tax impact of the non-GAAP adjustments is calculated based on the consolidated effective tax rate on a GAAP basis, applied to the non-GAAP adjustments, unless the underlying item has a materially different tax treatment.
- We have also provided organic net sales, a non-GAAP measure that excludes the impact of businesses purchased or exited in the prior 12 months, because we believe it permits investors to better understand the performance of our historical business without the impact of recent acquisitions or dispositions. For fiscal 2017, we have also adjusted our organic net sales for our estimate of the impact of the extra week on our 2017 fiscal year net sales.

From time to time in the future, there may be other items that we may exclude if we believe that doing so is consistent with the goal of providing useful information to investors and management.

The non-GAAP adjustments made reflect the following:

- (1) During the fourth quarter of fiscal 2016 and fiscal 2015, we recognized non-cash impairment charges in our Pet segment of \$1.8 million and \$7.3 million, respectively, related to the impairment of intangible assets caused by increased competition and declining volume of sales. These impairments are included within intangible asset impairment.
- (2) During fiscal 2017, we recognized a \$2.0 million gain in our Garden segment from the sale of a distribution facility. During fiscal 2016, we recorded a \$2.4 million gain in our Pet segment from the sale of a manufacturing plant resulting from rationalizing our facilities to reduce excess capacity. These adjustments were recorded as part of selling, general and administrative costs.
- (3) During the first quarter of fiscal 2016, we redeemed our 2018 Notes and issued senior notes due November 2023. As a result of the bond redemption, we incurred incremental expenses of \$14.3 million, comprised of a call premium payment of \$8.3 million, a \$2.7 million payment of overlapping interest expense for 30 days and a \$3.3 million non-

cash charge for the write off of unamortized deferred financing costs and discount related to the 2018 Notes. These amounts are included in Interest expense in the consolidated statements of operations.

- (4) During the fourth quarter of fiscal 2016, we recognized a non-cash impairment charge of \$16.6 million related to our investment in two joint ventures as a result of changes in marketplace conditions, which impacted the expected cash flows and recoverability of the investment. The impairment is included within other income (expense).

		GAAP to Non-GAAP Reconciliation (in thousands) For the Fiscal Year Ended September	
Non-GAAP Adjustments		2017	2016
Impairments of intangible assets	(1)	\$ —	\$ 1,828
(Gain)/loss on disposal of plant assets	(2)	(2,050)	(2,363)
Incremental expenses from note redemption and issuance	(3)	—	14,339
Impairment of equity method investments	(4)	—	16,572
Total non-GAAP adjustments		(2,050)	30,376
Tax effects of non-GAAP adjustments		(757)	(10,492)
Total net income impact from non-GAAP adjustments		\$ (1,293)	\$ 19,884

GAAP to Non-GAAP Reconciliation (in thousands) For the Fiscal Year Ended September		
	2017	2016
SG&A Expense Reconciliation		
GAAP SG&A expense	\$ 476,696	\$ 421,864
SG&A expense impact from non-GAAP adjustments	(1) (2) 2,050	2,363
Non-GAAP SG&A expense	<u>\$ 478,746</u>	<u>\$ 424,227</u>
GAAP SG&A expense as a percentage of net sales	23.2%	23.1%
Non-GAAP SG&A expense as a percentage of net sales	23.3%	23.2%

Operating Income Reconciliation		
GAAP operating income	\$ 156,112	\$ 129,358
Total operating income impact from non-GAAP adjustments	(1)(2) (2,050)	(535)
Non-GAAP operating income	<u>\$ 154,062</u>	<u>\$ 128,823</u>
GAAP operating margin	7.6%	7.1%
Non-GAAP operating margin	7.5%	7.0%

Pet Segment Operating Income Reconciliation		
GAAP Pet segment operating income	\$131,622	\$ 119,930
Total operating income impact from non-GAAP adjustments	(1)(2) N/A	(535)
Non-GAAP Pet segment operating income	<u>N/A</u>	<u>\$ 119,395</u>
GAAP Pet segment operating margin		11.1%
Non-GAAP Pet operating margin		11.0%

Garden Segment Operating Income Reconciliation		
GAAP Garden segment operating income	\$ 87,298	70,317
Total operating income impact from non-GAAP adjustments	(2) (2,050)	N/A
Non-GAAP Garden segment operating income	<u>\$ 85,248</u>	<u>N/A</u>
GAAP Garden segment operating margin	10.8%	
Non-GAAP Garden segment operating margin	10.5%	

Interest Expense Reconciliation		
GAAP interest expense	\$(28,209)	\$ (42,847)
Impact from non-GAAP adjustment	(3) N/A	14,339
Non-GAAP interest expense	<u>N/A</u>	<u>\$ (28,508)</u>

GAAP to Non-GAAP Reconciliation (in thousands, except per share amounts) For the Fiscal Year Ended September		
	2017	2016
Other Income (Expense) Reconciliation		
GAAP other income (expense)	\$(1,621)	(17,013)
Impact from non-GAAP adjustment	(4) N/A	16,572
Non-GAAP other income (expense)	<u>N/A</u>	<u>(441)</u>

		GAAP to Non-GAAP Reconciliation (in thousands) For the Fiscal Year Ended September	
		2017	2016
Net Income and Diluted Net Income Per Share Reconciliation			
GAAP net income attributable to Central Garden & Pet		\$ 78,828	\$ 44,514
Total non-GAAP adjustments	(1)(2) (3)(4)	(2,050)	30,376
Tax effects of non-GAAP adjustments		757	(10,492)
Total net income impact from non-GAAP adjustments		\$ (1,293)	\$ 19,884
Non-GAAP net income attributable to Central Garden & Pet		\$ 77,535	\$ 64,398
GAAP diluted net income per share		\$ 1.52	\$ 0.87
Non-GAAP diluted net income per share		\$ 1.50	\$ 1.26
Shares used in GAAP and non-GAAP diluted net earnings per share calculation		51,820	51,075

		GAAP to Non-GAAP Reconciliation (in thousands) For the Quarter Ended September 30, 2017	
		September 30, 2017	September 24, 2016
Net income and diluted net income per share			
GAAP net income (loss)		\$ 4,259	\$ (5,611)
Total non-GAAP Adjustments	(1)(2) (3)(4)	—	18,400
Tax effect		—	(6,224)
Net income impact		—	12,176
Non-GAAP net income		\$ 4,259	\$ 6,565
GAAP diluted income (loss) per share		\$ 0.08	\$ (0.11)
Non-GAAP diluted income per share		\$ 0.08	\$ 0.13
Basic		50,654	49,453
Diluted		51,935	51,645

		GAAP to Non-GAAP Reconciliation (in thousands) For the Quarter Ended September 30, 2017	
		September 30, 2017	September 24, 2016
Operating income reconciliation			
GAAP operating income		\$ 14,381	\$ 12,997
Total operating income impact from non-GAAP	(1)	—	1,828
Non-GAAP operating income		14,381	14,825
GAAP operating margin		2.9%	3.1%
Non-GAAP operating margin		2.9%	3.6%
Net sales		\$ 490,464	\$ 413,412

Organic Net Sales Reconciliation

We have provided organic net sales, a non-GAAP measure that excludes the impact of acquisitions and dispositions, because we believe it permits investors to better understand the performance of our historical business. We define organic net sales as net sales from our historical business derived by excluding the net sales from businesses acquired or exited in the preceding 12 months. After an acquired business has been part of our consolidated results for 12 months, the change in net sales thereafter is considered part of the increase or decrease in organic net sales.

**GAAP to Non-GAAP Reconciliation
For the Fiscal Year Ended September 30, 2017**

	Consolidated		Pet Segment		Garden Segment	
		Percent Change		Percent Change		Percent Change
Reported net sales FY 2017 (GAAP)	\$ 2,054.5		\$ 1,246.4		\$ 808.1	
Reported net sales FY 2016 (GAAP)	1,829.0		1,081.8		747.2	
Increase in net sales	225.5	12.3%	164.6	15.2%	60.9	8.2%
Effect of acquisitions and dispositions on increase in net sales	104.7		110.3		(5.6)	
Increase in organic net sales	120.8	6.6%	54.3	5.0%	66.5	8.9%
Estimated impact of extra week in fiscal 2017 on organic sales	32.8		21.4		11.4	
Organic net sales adjusted for extra week	\$ 88.0	4.8%	\$ 32.9	3.0%	\$ 55.1	7.4%

**GAAP to Non-GAAP Reconciliation
For the Quarter Ended September 30, 2017**

	Consolidated		Pet Segment		Garden Segment	
		Percent Change		Percent Change		Percent Change
Reported net sales Q4 FY17 (GAAP)	\$ 490.5		\$ 330.5		\$ 160.0	
Reported net sales Q4 FY16 (GAAP)	\$ 413.4		\$ 270.6		\$ 142.8	
Increase in net sales	\$ 77.1	18.6%	\$ 59.9	22.1%	\$ 17.2	12.0%
Effect of acquisition and divestitures on increase in net sales	\$ 29.3		\$ 29.3		\$ —	
Increase in organic net sales	\$ 47.8	11.6%	\$ 30.6	11.3%	\$ 17.2	12.0%
Impact estimate of extra week in Q4 FY17	\$ 32.8		\$ 21.4		\$ 11.4	
Adjusted organic net sales	\$ 15.0	3.6%	\$ 9.2	3.4%	\$ 5.8	4.1%