

NON-GAAP RECONCILIATIONS



IMPACT OF CERTAIN ITEMS



Sysco Corporation and its Consolidated Subsidiaries Non-GAAP Reconciliation (Unaudited) Impact of Certain Items and Brakes

Sysco's results of operations for fiscal 2018 are impacted by restructuring costs consisting of (1) expenses associated with our revised business technology strategy announced in fiscal 2016, as a result of which we incurred costs to convert to a modernized version of our established platform, (2) professional fees related to our three-year strategic plan, (3) restructuring expenses within our Brakes Group operations, (4) severance charges related to restructuring and (5) business technology costs. Sysco's results of operations for fiscal 2017 are impacted by restructuring costs consisting of (1) expenses associated with our revised business technology strategy, as a result of which we recorded accelerated depreciation on our existing system and incurred costs to convert to a modernized version of our established platform, (2) professional fees related to our three-year strategic plan, (3) restructuring expenses within our Brakes Group operations, (4) severance charges related to restructuring, (5) facility closure costs, and (6) business technology transformation costs. Our results of operations are also impacted by the following acquisition-related items: (1) intangible amortization expense; (2) transaction costs; and (3) integration costs. All acquisition-related costs in fiscal 2018 and fiscal 2017 that have been excluded relate to the Brakes acquisition. Sysco's results of operations in fiscal 2017 are also impacted by multi-employer pension (MEPP) withdrawal charges. Fiscal 2016 and fiscal 2015 results of operations, however, include (1) expenses associated with our revised business technology strategy announced in fiscal 2016, as a result of which we recorded accelerated depreciation on our existing system and incurred costs to convert to a modernized version of our established platform, (2) professional fees related to our three-year strategic plan, (3) Brakes related acquisition costs, (4) termination costs in connection with the merger that had been proposed with US Foods, Inc. (US Foods), (5) severance charges related to restructuring, (6) facility closure costs, and (7) financing costs related to the Brakes acquisition and senior notes that were issued in fiscal 2015 to fund the proposed US Foods merger. These senior notes were redeemed in the first quarter of fiscal 2016, triggering a redemption loss of \$86.5 million, and we incurred interest on these notes through the redemption date. Fiscal 2016 also includes losses on foreign currency remeasurement and hedging. The Brakes acquisition also resulted in non-recurring tax expense in fiscal 2017, primarily from non-deductible transaction costs. These fiscal 2018, fiscal 2017, fiscal 2016 and fiscal 2015 items are collectively referred to as "Certain Items."

Management believes that adjusting its operating expenses, operating income, operating margin as a percentage of sales, interest expense, net earnings and diluted earnings per share to remove these Certain Items provides an important perspective with respect to our underlying business trends and results and provides meaningful supplemental information to both management and investors that (1) is indicative of the performance of the company's underlying operations and facilitates comparisons on a year-over-year basis and (2) removes those items that are difficult to predict and are often unanticipated, and which as a result, are difficult to include in analysts' financial models and our investors' expectations with any degree of specificity.

IMPACT OF CERTAIN ITEMS (CONT'D)



Sysco Corporation and its Consolidated Subsidiaries Non-GAAP Reconciliation (Unaudited) Impact of Certain Items and Brakes (cont'd)

Sysco's fiscal year ends on the Saturday nearest to June 30th. This resulted in a 52-week year ending June 27, 2017 for fiscal 2017, a 53-week year ending July 2, 2016 for fiscal 2016 and a 52-week year ending June 30, 2015 for fiscal 2015. Because the fourth quarter of fiscal 2016 contained an additional week as compared to fiscal 2017, our Consolidated Results of Operations for fiscal 2017, and any related case growth metrics, are not directly comparable to the prior year. Management believes that adjusting the fiscal 2016 results for the estimated impact of the additional week provides more comparable financial results on a year-over-year basis. As a result, the case growth and operating metrics for fiscal 2017 presented in the table below reflect a comparison to fiscal 2016 as adjusted by one-fourteenth of the total metric for the fourth quarter. Failure to make these adjustments causes the year-over-year changes in these metrics to be understated.

Although Sysco has a history of growth through acquisitions, the Brakes Group is significantly larger than the companies historically acquired by Sysco, with a proportionately greater impact on Sysco's consolidated financial statements. Accordingly, Sysco is excluding from its non-GAAP financial measures for the relevant period solely those acquisition costs specific to the Brakes acquisition. We believe this approach significantly enhances the comparability of Sysco's results for fiscal 2018, fiscal 2017 and fiscal 2016. Also, given the significance of the Brakes acquisition, management believes that presenting Sysco's financial measures, excluding the Brakes Group operating results (including for this purpose Brakes financing costs, which are not included in the Brakes Group GAAP operating results and are also not Certain Items), enhances comparability of the period over period financial performance of Sysco's legacy business and allows investors to more effectively measure Sysco's progress against the financial goals under Sysco's three year strategic plan.

Set forth below is a reconciliation of sales, operating expenses, operating income, net earnings and diluted earnings per share to adjusted results for these measures for the periods presented. Individual components of diluted earnings per share may not add to the total presented due to rounding. Adjusted diluted earnings per share is calculated using adjusted net earnings divided by diluted shares outstanding.

CASE GROWTH



Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Impact of extra week on selected metrics

| | Jul. 1, 2017 (52 Weeks) (GAAP) | Impact of extra week | Jul. 1, 2017 (52 Weeks Basis) (Non-GAAP) | Jul. 2, 2016 (53 Weeks) (GAAP) | Impact of extra week | Jul. 2, 2016 (52 Weeks Basis) (Non- GAAP) | 2-year Average |
|-----------------------------|---|---------------------------------|---|---|---------------------------------|--|---------------------------|
| Case Growth: | | | | | | | |
| Total U.S. Broadline | -1.0% | 1.9% | 0.9% | 5.0% | -2.0% | 3.0% | 2.0% |
| Local | -0.1% | 2.5% | 2.4% | 4.7% | -2.0% | 2.7% | 2.5% |

| | Jul. 2, 2016 (14 Weeks) (GAAP) | Impact of extra week | Jul. 2, 2016 (13 Weeks Basis) (Non-GAAP) |
|------------------------|---|---------------------------------|---|
| Case Growth: | | | |
| Total Broadline | 4.7% | -2.3% | 2.4% |
| Local | 10.3% | -7.9% | 2.4% |

OPERATING LEVERAGE



Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Total Sysco Operating Leverage (impact of Certain Items, extra week and Brakes)
(In Thousands)

| | |
|--|-------|
| (a) 2-year average gross profit (GAAP) | 11.2% |
| (b) 2-year average gross profit excluding the impact of Brakes (Non-GAAP) | 3.9% |
| (c) 2-year average operating expenses (GAAP) | 8.2% |
| (d) 2-year average operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP) | 1.9% |

| | <u>52-Week Period Ended Jul. 1, 2017</u> | <u>53-Week Period Ended Jul. 2, 2016</u> | <u>Period Change in Dollars</u> | <u>Period % Change</u> |
|--|--|--|-------------------------------------|----------------------------|
| Gross profit | \$ 10,557,507 | \$ 9,040,472 | \$ 1,517,035 | 16.8% |
| Impact of Brakes | (1,333,852) | - | (1,333,852) | NM |
| Less 1 week fourth quarter sales | - | (178,774) | 178,774 | NM |
| Comparable gross profit using a 52 week basis and excluding the impact of Brakes (Non-GAAP) | <u>\$ 9,223,655</u> | <u>\$ 8,861,698</u> | <u>\$ 361,957</u> | <u>4.1%</u> |
| Operating expenses (GAAP) | \$ 8,504,336 | \$ 7,189,972 | \$ 1,314,364 | 18.3% |
| Impact of certain items | (298,660) | (158,748) | (139,912) | 88.1% |
| Operating expenses adjusted for certain items (Non-GAAP) | <u>\$ 8,205,676</u> | <u>\$ 7,031,224</u> | <u>\$ 1,174,452</u> | <u>16.7%</u> |
| Impact of Brakes | (1,190,795) | - | (1,190,795) | NM |
| Less 1 week fourth quarter operating expenses | - | (133,899) | 133,899 | NM |
| Operating expenses adjusted for certain items, extra week and excluding the impact of Brakes (Non-GAAP) | <u>\$ 7,014,882</u> | <u>\$ 6,897,325</u> | <u>\$ 117,557</u> | <u>1.7%</u> |

OPERATING LEVERAGE (CONT'D)



Sysco Corporation and its Consolidated Subsidiaries
 Non-GAAP Reconciliation (Unaudited)
 Total Sysco Operating Leverage (impact of Certain Items, extra week and Brakes)
 (In Thousands)

| | <u>53-Week Period Ended Jul. 2, 2016</u> | <u>52-Week Period Ended Jun. 27, 2015</u> | <u>Period Change in Dollars</u> | <u>Period % Change</u> |
|--|--|---|-------------------------------------|----------------------------|
| Gross profit | \$ 9,040,472 | \$ 8,551,516 | \$ 488,956 | 5.7% |
| Less 1 week fourth quarter gross profit | (178,774) | - | (178,774) | NM |
| Comparable gross profit using a 52 week basis | <u>\$ 8,861,698</u> | <u>\$ 8,551,516</u> | <u>\$ 310,182</u> | <u>3.6%</u> |
| Operating expenses (GAAP) | \$ 7,189,972 | \$ 7,322,154 | \$ (132,182) | -1.8% |
| Impact of certain items | (158,748) | (562,468) | 403,719 | NM |
| Subtotal-Operating expenses excluding certain items (Non-GAAP) | <u>\$ 7,031,224</u> | <u>\$ 6,759,686</u> | <u>\$ 271,537</u> | <u>4.0%</u> |
| Less 1 week fourth quarter operating expense | (133,899) | - | (133,899) | NM |
| Operating expenses adjusted for certain items and extra week (Non-GAAP) | <u>\$ 6,897,325</u> | <u>\$ 6,759,686</u> | <u>\$ 137,639</u> | <u>2.0%</u> |

| | <u>52-Week Period Ended Jun. 27, 2015</u> | <u>52-Week Period Ended Jun. 28, 2014</u> | <u>Period Change in Dollars</u> | <u>Period % Change</u> |
|---|---|---|-------------------------------------|----------------------------|
| Gross profit | \$ 8,551,516 | \$ 8,181,035 | \$ 370,481 | 4.5% |
| Operating expenses (GAAP) | \$ 7,322,154 | \$ 6,593,913 | \$ 728,241 | 11.0% |
| Impact of certain items | (562,468) | (146,508) | (415,959) | NM |
| Operating expenses adjusted for certain items (Non-GAAP) | <u>\$ 6,759,687</u> | <u>\$ 6,447,405</u> | <u>\$ 312,282</u> | <u>4.8%</u> |

Adjusted Operating Income Target

We expect to target and maintain an adjusted operating leverage gap of 1.5 basis points through fiscal 2020. We cannot predict with certainty when we will achieve these results or whether the calculation of our operating leverage in such future periods will be on an adjusted basis due to the effect of certain items, which would be excluded from such calculation. Due to these uncertainties, to the extent our future calculation of operating leverage is on an adjusted basis excluding certain items, we cannot provide a quantitative reconciliation of this non-GAAP measure to the most directly comparable GAAP measure without unreasonable effort. However, we would expect to calculate adjusted operating leverage, if applicable, in the same manner as we have calculated this historically and all components of our adjusted operating leverage calculation would be impacted by Certain Items as shown in the foregoing calculation.

OPERATING INCOME GROWTH



Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Operating Income Growth

(In Thousands)

| | Year Ended | | | Year Ended | | | Cumulative 24-month Change \$ results | Period | | |
|--|---------------|---------------|---------------------|---------------|---------------|---------------------|--|--------------|--------------|-------------------|
| | July 1, 2017 | July 2, 2016 | Period Change \$ | July 2, 2016 | June 27, 2015 | Period Change \$ | | July 1, 2017 | July 2, 2016 | 2-year Average |
| Sales | \$ 55,371,139 | \$ 50,366,919 | \$ 5,004,220 | \$ 50,366,919 | \$ 48,680,752 | \$ 1,686,167 | | | | |
| Impact of Brakes | (5,170,787) | - | (5,170,787) | - | - | - | | | | |
| Sales excluding the impact of Brakes (Non-GAAP) | \$ 50,200,352 | \$ 50,366,919 | \$ (166,567) | \$ 50,366,919 | \$ 48,680,752 | \$ 1,686,167 | | | | |
| Gross profit | \$ 10,557,507 | \$ 9,040,472 | \$ 1,517,035 | \$ 9,040,472 | \$ 8,551,516 | \$ 488,956 | | | | |
| Impact of Brakes | (1,333,852) | - | (1,333,852) | - | - | - | | | | |
| Gross profit excluding the impact of Brakes (Non-GAAP) | \$ 9,223,655 | \$ 9,040,472 | \$ 183,183 | \$ 9,040,472 | \$ 8,551,516 | \$ 488,956 | | | | |
| Gross margin | 19.07% | 17.95% | 1.12% | 17.95% | 17.57% | 0.38% | | | | |
| Impact of Brakes | 0.69% | 0.00% | 0.69% | - | - | - | | | | |
| Gross margin excluding the impact of Brakes (Non-GAAP) | 18.37% | 17.95% | 0.42% | 17.95% | 17.57% | 0.38% | | | | |
| Operating expenses (GAAP) | \$ 8,504,336 | \$ 7,189,972 | \$ 1,314,364 | \$ 7,189,972 | \$ 7,322,154 | \$ (132,182) | | | | |
| MEPP Charge | (35,600) | - | (35,600) | - | - | - | | | | |
| Impact of restructuring costs (1) | (161,011) | (123,134) | (37,877) | (123,134) | (7,801) | (115,333) | | | | |
| Impact of acquisition-related costs (2) | (102,049) | (35,614) | (66,434) | (35,614) | (554,667) | 519,052 | | | | |
| Operating expenses adjusted for certain items (Non-GAAP) | \$ 8,205,676 | \$ 7,031,224 | \$ 1,174,452 | \$ 7,031,224 | \$ 6,759,686 | \$ 271,537 | | | | |
| Impact of Brakes | (1,282,800) | - | (1,282,800) | - | - | - | | | | |
| Impact of Brakes restructuring costs (3) | 13,732 | - | 13,732 | - | - | - | | | | |
| Impact of Brakes acquisition-related costs (2) | (78,273) | - | (78,273) | - | - | - | | | | |
| Operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP) | \$ 7,014,881 | \$ 7,031,224 | \$ (16,343) | \$ 7,031,224 | \$ 6,759,686 | \$ 271,537 | | | | |
| Operating income (GAAP) | \$ 2,053,171 | \$ 1,850,500 | \$ 202,671 | \$ 1,850,500 | \$ 1,229,362 | \$ 621,138 | \$ 823,809 | | | |
| MEPP Charge | 35,600 | - | 35,600 | - | - | - | 35,600 | | | |
| Impact of restructuring costs (1) | 161,011 | 123,134 | 37,877 | 123,134 | 7,801 | 115,333 | 153,210 | | | |
| Impact of acquisition-related costs (2) | 102,049 | 35,614 | 66,434 | 35,614 | 554,667 | (519,052) | (452,618) | | | |
| Operating income adjusted for certain items (Non-GAAP) | \$ 2,351,831 | \$ 2,009,248 | \$ 342,583 | \$ 2,009,248 | \$ 1,791,830 | \$ 217,419 | \$ 560,001 | | | |
| Impact of Brakes | (51,053) | - | (51,053) | - | - | - | (51,053) | | | |
| Impact of Brakes restructuring costs (3) | (13,732) | - | (13,732) | - | - | - | (13,732) | | | |
| Impact of Brakes acquisition-related costs (2) | (78,273) | - | (78,273) | - | - | - | (78,273) | | | |
| Operating income adjusted for certain items and excluding the impact of Brakes (Non-GAAP) | \$ 2,208,773 | \$ 2,009,248 | \$ 199,525 | \$ 2,009,248 | \$ 1,791,830 | \$ 217,419 | \$ 416,943 | 9.93% | 12.13% | 11.03% |

⁽¹⁾ Includes \$111 million in accelerated depreciation associated with our revised business technology strategy and \$46 million related to professional fees on 3-year financial objectives, restructuring expenses within our Brakes operations, costs to convert to legacy systems in conjunction with our revised business technology strategy and severance charges related to restructuring. Includes professional fees on 3-year financial objectives, and costs to convert to legacy systems in conjunction with our revised business technology strategy in fiscal 2017 and fiscal 2016.

⁽²⁾ Fiscal 2017 includes \$76 million related to intangible amortization expense from the Brakes acquisition, which is included in the results of Brakes and \$24 million in transaction costs. Fiscal 2016 includes US Foods merger integration and termination costs.

⁽³⁾ Includes Brakes Acquisition restructuring charges.

OPERATING INCOME GROWTH (CONT'D)

Sysco
INVESTOR
DAY 2017

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Operating Income Growth
(In Thousands)

| | 13-Week Period Ended | | | Cumulative 24-month Change \$ | Cumulative 27-month Change \$ |
|--|----------------------|-----------------|---------------------|-------------------------------------|-------------------------------------|
| | September 30, 2017 | October 1, 2016 | Period Change \$ | | |
| Sales | \$ 14,650,424 | \$ 13,968,654 | \$ 681,770 | | |
| Impact of Brakes | (1,463,902) | (1,283,524) | (180,378) | | |
| Sales excluding the impact of Brakes (Non-GAAP) | \$ 13,186,522 | \$ 12,685,130 | \$ 501,392 | | |
| Gross profit | \$ 2,793,668 | \$ 2,691,919 | \$ 101,749 | | |
| Impact of Brakes | (370,695) | (343,051) | (27,643) | | |
| Gross profit excluding the impact of Brakes (Non-GAAP) | \$ 2,422,973 | \$ 2,348,868 | \$ 74,106 | | |
| Gross margin | 19.07% | 19.27% | -0.20% | | |
| Impact of Brakes | 0.69% | 0.75% | -0.06% | | |
| Gross margin excluding the impact of Brakes (Non-GAAP) | 18.37% | 18.52% | -0.14% | | |
| Operating expenses (GAAP) | \$ 2,170,576 | \$ 2,125,086 | \$ 45,490 | | |
| MEPP Charge | - | - | - | | |
| Impact of restructuring costs (1) | (19,053) | (38,285) | 19,232 | | |
| Impact of acquisition-related costs (2) | (19,745) | (21,710) | 1,965 | | |
| Operating expenses adjusted for certain items (Non-GAAP) | \$ 2,131,778 | \$ 2,065,091 | \$ 66,687 | | |
| Impact of Brakes | (350,010) | (322,843) | (27,167) | | |
| Impact of Brakes restructuring costs (3) | - | 3,074 | (3,074) | | |
| Impact of Brakes acquisition-related costs (2) | 5,232 | 19,498 | (14,266) | | |
| Operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP) | \$ 1,787,000 | \$ 1,764,821 | \$ 22,179 | | |
| Operating income (GAAP) | \$ 623,092 | \$ 566,833 | \$ 56,259 | \$ 823,809 | \$ 880,068 |
| MEPP Charge | - | - | - | 35,600 | 35,600 |
| Impact of restructuring costs (1) | 19,053 | 38,285 | (19,232) | 153,210 | 133,978 |
| Impact of acquisition-related costs (2) | 19,745 | 21,710 | (1,965) | (452,618) | (454,583) |
| Operating income adjusted for certain items (Non-GAAP) | \$ 661,890 | \$ 626,828 | \$ 35,062 | \$ 560,001 | \$ 595,063 |
| Impact of Brakes | (20,685) | (20,208) | (476) | (51,053) | (51,529) |
| Impact of Brakes restructuring costs (3) | - | (3,074) | 3,074 | (13,732) | (10,657) |
| Impact of Brakes acquisition-related costs (2) | (5,232) | (19,498) | 14,266 | (78,273) | (64,007) |
| Operating income adjusted for certain items and excluding the impact of Brakes (Non-GAAP) | \$ 635,974 | \$ 584,047 | \$ 51,927 | \$ 416,943 | \$ 468,870 |

⁽¹⁾ Fiscal 2018 includes \$19 million related to business technology costs, professional fees on three-year financial objectives, restructuring expenses within our Brakes operations, severance charges related to restructuring and costs to convert to legacy systems in conjunction with our revised business technology strategy. Fiscal 2017 includes \$28 million in accelerated depreciation associated with our revised business technology strategy and \$10 million related to professional fees on three-year financial objectives, restructuring expenses within our Brakes operations, costs to convert to legacy systems in conjunction with our revised business technology strategy and severance charges related to restructuring.

⁽²⁾ Fiscal 2018 and 2017 include \$15 million and \$19 million, respectively, related to intangible amortization expense from the Brakes Acquisition, which is included in the results of Brakes and \$5 million and \$2 million, respectively, in integration costs.

⁽³⁾ The tax impact of adjustments for Certain Items are calculated by multiplying the pretax impact of each Certain Item by the statutory rates in effect for each jurisdiction where the Certain Item was incurred. The Brakes Acquisition also resulted in non-recurring tax expense in fiscal 2017, primarily from non-deductible transaction costs.

IMPACT OF CERTAIN ITEMS, BRAKES AND EXTRA WEEK IN FISCAL YEAR 2016



Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Impact of Certain Items, Brakes and extra week in fiscal year 2016
(In Thousands, Except for Share and Per Share Data)

| | Year Ended | | Period Change in Dollars | Period %/bps Change | Year Ended | | Period Change in Dollars | Period %/bps Change |
|--|---------------|---------------|--------------------------------|---------------------------|---------------|---------------|--------------------------------|---------------------------|
| | July 1, 2017 | July 2, 2016 | | | July 2, 2016 | June 27, 2015 | | |
| Sales | \$ 55,371,139 | \$ 50,366,919 | \$ 5,004,220 | 9.9% | \$ 50,366,919 | \$ 48,680,752 | \$ 1,686,167 | 3.5% |
| Impact of Brakes | (5,170,787) | - | (5,170,787) | NM | - | - | - | NM |
| Less 1 week fourth quarter sales | - | (974,849) | 974,849 | NM | (974,849) | - | (974,849) | NM |
| Comparable sales using a 52 week basis and excluding the impact of Brakes (Non-GAAP) | \$ 50,200,352 | \$ 49,392,070 | \$ 808,282 | 1.6% | \$ 49,392,070 | \$ 48,680,752 | \$ 711,318 | 1.5% |
| Gross profit | \$ 10,557,507 | \$ 9,040,472 | \$ 1,517,035 | 16.8% | \$ 9,040,472 | \$ 8,551,516 | \$ 488,956 | 5.7% |
| Impact of Brakes | (1,333,852) | - | (1,333,852) | NM | - | - | - | NM |
| Less 1 week fourth quarter sales | - | (178,774) | 178,774 | NM | (178,774) | - | (178,774) | NM |
| Comparable gross profit using a 52 week basis and excluding the impact of Brakes (Non-GAAP) | \$ 9,223,655 | \$ 8,861,698 | \$ 361,957 | 4.1% | \$ 8,861,698 | \$ 8,551,516 | \$ 310,182 | 3.6% |
| Gross margin | 19.07% | 17.95% | 112 bps | | 17.95% | 17.57% | 38 bps | |
| Impact of Brakes | 0.69% | 0% | 69 bps | | 0% | 0% | 0 bps | |
| Less 1 week fourth quarter sales | 0% | 0.01% | -1 bps | | 0.01% | 0.00% | 1 bps | |
| Comparable gross margin using a 52 week basis and excluding the impact of Brakes (Non-GAAP) | 18.37% | 17.94% | 43 bps | | 17.94% | 17.57% | 38 bps | |
| Operating expenses (GAAP) | \$ 8,504,336 | \$ 7,189,972 | \$ 1,314,364 | 18.3% | \$ 7,189,972 | \$ 7,322,154 | \$ (132,182) | -1.8% |
| Impact of MEPP charge | (35,600) | - | (35,600) | NM | - | - | - | NM |
| Impact of restructuring costs (1) | (161,011) | (123,134) | (37,877) | 30.8% | (123,134) | (7,801) | (115,333) | NM |
| Impact of acquisition-related costs (2) | (102,049) | (35,614) | (66,434) | NM | (35,614) | (554,667) | 519,052 | -93.6% |
| Operating expenses adjusted for certain items (Non-GAAP) | \$ 8,205,676 | \$ 7,031,224 | \$ 1,174,452 | 16.7% | \$ 7,031,224 | \$ 6,759,686 | \$ 271,537 | 4.0% |
| Impact of Brakes | (1,282,800) | - | (1,282,800) | NM | - | - | - | NM |
| Impact of Brakes restructuring costs (3) | 13,732 | - | 13,732 | NM | - | - | - | NM |
| Impact of Brakes acquisition-related costs (2) | 78,273 | - | 78,273 | NM | - | - | - | NM |
| Less 1 week fourth quarter operating expenses | - | (133,899) | 133,899 | NM | (133,899) | - | (133,899) | NM |
| Operating expenses adjusted for certain items, extra week and excluding the impact of Brakes (Non-GAAP) | \$ 7,014,881 | \$ 6,897,325 | \$ 117,556 | 1.7% | \$ 6,897,325 | \$ 6,759,686 | \$ 137,639 | 2.0% |
| Operating income (GAAP) | \$ 2,053,171 | \$ 1,850,500 | \$ 202,671 | 11.0% | \$ 1,850,500 | \$ 1,229,362 | \$ 621,138 | 50.5% |
| Impact of MEPP charge | 35,600 | - | 35,600 | NM | - | - | - | NM |
| Impact of restructuring costs (1) | 161,011 | 123,134 | 37,877 | 30.8% | 123,134 | 7,801 | 115,333 | NM |
| Impact of acquisition-related costs (2) | 102,049 | 35,614 | 66,434 | NM | 35,614 | 554,667 | (519,052) | -93.6% |
| Operating income adjusted for certain items (Non-GAAP) | \$ 2,351,831 | \$ 2,009,248 | \$ 342,583 | 17.1% | \$ 2,009,248 | \$ 1,791,830 | \$ 217,419 | 12.1% |
| Impact of Brakes | (51,053) | - | (51,053) | NM | - | - | - | NM |
| Impact of Brakes restructuring costs (3) | (13,732) | - | (13,732) | NM | - | - | - | NM |
| Impact of Brakes acquisition-related costs (2) | (78,273) | - | (78,273) | NM | - | - | - | NM |
| Less 1 week fourth quarter operating income | - | (44,876) | 44,876 | NM | (44,876) | - | (44,876) | NM |
| Operating income adjusted for certain items, extra week and excluding the impact of Brakes (Non-GAAP) | \$ 2,208,773 | \$ 1,964,372 | \$ 244,401 | 12.4% | \$ 1,964,372 | \$ 1,791,829 | \$ 172,543 | 9.6% |

IMPACT OF CERTAIN ITEMS, BRAKES AND EXTRA WEEK IN FISCAL YEAR 2016 (CONT'D)



Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Impact of Certain Items, Brakes and extra week in fiscal year 2016
(In Thousands, Except for Share and Per Share Data)

| | Year Ended | | | Period Change in Dollars | Period %/bps Change | Year Ended | | | Period Change in Dollars | Period %/bps Change |
|--|--------------|--------------|--------------|--------------------------------|---------------------------|--------------|---------------|------------|--------------------------------|---------------------------|
| | July 1, 2017 | July 2, 2016 | | | | July 2, 2016 | June 27, 2015 | | | |
| Operating margin (GAAP) | 3.71% | 3.67% | | | 3 bps | 3.67% | 2.53% | | | 115 bps |
| Operating margin excluding Certain Items (Non-GAAP) | 4.25% | 3.99% | | | 26 bps | 3.99% | 3.68% | | | 31 bps |
| Operating margin excluding Certain Items, Extra Week and Brakes (Non-GAAP) | 4.40% | 3.98% | | | 42 bps | 3.98% | 3.68% | | | 30 bps |
| Interest expense (GAAP) | \$ 302,878 | \$ 306,146 | \$ (3,268) | | -1.1% | \$ 306,146 | \$ 254,807 | \$ 51,339 | | 20.1% |
| Impact of acquisition financing costs (4) | - | (123,990) | 123,990 | | NM | (123,990) | (138,422) | 14,432 | | -10.4% |
| Interest expense adjusted for certain items (Non-GAAP) | \$ 302,878 | \$ 182,156 | \$ 120,722 | | 66.3% | \$ 182,156 | \$ 116,385 | \$ 65,771 | | 56.5% |
| Less 1 week fourth quarter interest expense | - | (3,975) | 3,975 | | NM | (3,975) | - | (3,975) | | NM |
| Interest expense adjusted for certain items and extra week (Non-GAAP) | \$ 302,878 | \$ 178,181 | \$ 124,697 | | 70.0% | \$ 178,181 | \$ 116,385 | \$ 61,797 | | 53.1% |
| Other (income) expense | \$ (15,937) | \$ 111,347 | \$ (127,284) | | NM | \$ 111,347 | \$ (33,592) | \$ 144,939 | | NM |
| Impact of foreign currency remeasurement and hedging | - | (146,950) | 146,950 | | NM | (146,950) | - | (146,950) | | NM |
| Other (income) expense adjusted for certain items (Non-GAAP) | (15,937) | (35,603) | 19,666 | | -55.2% | (35,603) | (33,592) | (2,011) | | 6.0% |
| Less 1 week fourth quarter other (income) expense | - | 403 | (403) | | NM | 403 | - | 403 | | NM |
| Other (income) expense adjusted for certain items and extra week (Non-GAAP) | \$ (15,937) | \$ (35,200) | \$ 19,263 | | -54.7% | \$ (35,200) | \$ (33,592) | \$ (1,608) | | 4.8% |
| Net earnings (GAAP) | \$ 1,142,503 | \$ 949,622 | \$ 192,881 | | 20.3% | \$ 949,622 | \$ 686,773 | \$ 262,849 | | 38.3% |
| Impact of MEPP charge | 35,600 | - | 35,600 | | NM | - | - | - | | NM |
| Impact of restructuring cost (1) | 161,011 | 123,134 | 37,877 | | 30.8% | 123,134 | 7,801 | 115,333 | | NM |
| Impact of acquisition-related costs (2) | 102,049 | 35,614 | 66,435 | | NM | 35,614 | 554,667 | (519,053) | | -93.6% |
| Impact of acquisition financing costs (4) | - | 123,990 | (123,990) | | NM | 123,990 | 138,422 | (14,432) | | -10.4% |
| Impact of foreign currency remeasurement and hedging | - | 146,950 | (146,950) | | NM | 146,950 | - | 146,950 | | NM |
| Tax Impact of MEPP charge | (11,903) | - | (11,903) | | NM | - | - | - | | NM |
| Tax impact of restructuring cost (5) | (51,184) | (47,333) | (3,851) | | 8.1% | (47,333) | (3,200) | (44,133) | | NM |
| Tax impact of acquisition-related costs (5) | (19,003) | (13,690) | (5,313) | | 38.8% | (13,690) | (227,518) | 213,828 | | -94.0% |
| Tax impact of acquisition financing costs (5) | - | (47,662) | 47,662 | | NM | (47,662) | (56,779) | 9,117 | | -16.1% |
| Tax impact of foreign currency remeasurement and hedging | - | (56,488) | 56,488 | | NM | (56,488) | - | (56,488) | | NM |
| Net earnings adjusted for certain items (Non-GAAP) | \$ 1,359,073 | \$ 1,214,137 | \$ 144,936 | | 11.9% | \$ 1,214,137 | \$ 1,100,166 | \$ 113,971 | | 10.4% |
| Impact of Brakes | (46,988) | - | (46,988) | | NM | - | - | - | | NM |
| Impact of Brakes restructuring costs (3) | (11,794) | - | (11,794) | | NM | - | - | - | | NM |
| Impact of Brakes acquisition-related costs (2) | (67,221) | - | (67,221) | | NM | - | - | - | | NM |
| Impact of interest expense on debt issued for the Brakes acquisition (6) | 83,633 | - | 83,633 | | NM | - | - | - | | NM |
| Tax impact of interest expense on debt issued for the Brakes acquisition (5) | (33,880) | - | (33,880) | | NM | - | - | - | | NM |
| Less 1 week fourth quarter net earnings | - | (26,119) | 26,119 | | NM | (26,119) | - | (26,119) | | NM |
| Net earnings adjusted for certain items, extra week and excluding the impact of Brakes (Non-GAAP) | \$ 1,282,823 | \$ 1,188,018 | \$ 94,805 | | 8.0% | \$ 1,188,018 | \$ 1,100,166 | \$ 87,852 | | 8.0% |

IMPACT OF CERTAIN ITEMS, BRAKES AND EXTRA WEEK IN FISCAL YEAR 2016 (CONT'D)



Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Impact of Certain Items, Brakes and extra week in fiscal year 2016
(In Thousands, Except for Share and Per Share Data)

| | Year Ended | | Period Change in Dollars | Period % /bps Change | Year Ended | | Period Change in Dollars | Period % /bps Change |
|---|--------------|--------------|--------------------------|----------------------|--------------|---------------|--------------------------|----------------------|
| | July 1, 2017 | July 2, 2016 | | | July 2, 2016 | June 27, 2015 | | |
| Diluted earnings per share (GAAP) | \$ 2.08 | \$ 1.64 | \$ 0.44 | 26.8% | \$ 1.64 | \$ 1.15 | \$ 0.49 | 42.6% |
| Impact of MEPP charge | 0.06 | - | 0.06 | NM | - | - | - | NM |
| Impact of restructuring costs (1) | 0.29 | 0.21 | 0.08 | 38.1% | 0.21 | - | 0.21 | NM |
| Impact of acquisition-related costs (2) | 0.19 | 0.06 | 0.13 | NM | 0.06 | 0.93 | (0.87) | -93.5% |
| Impact of acquisition financing costs (4) | - | 0.21 | (0.21) | NM | 0.21 | 0.24 | (0.03) | -12.5% |
| Impact of foreign currency remeasurement and hedging | - | 0.25 | (0.25) | NM | 0.25 | - | 0.25 | NM |
| Tax impact of MEPP charge | (0.02) | - | (0.02) | NM | - | - | - | NM |
| Tax impact of restructuring cost (5) | (0.09) | (0.08) | (0.01) | 12.5% | (0.08) | - | (0.08) | NM |
| Tax impact of acquisition-related costs (5) | (0.03) | (0.02) | (0.01) | 50.0% | (0.02) | (0.38) | 0.36 | -94.7% |
| Tax impact of acquisition financing costs (5) | - | (0.08) | 0.08 | NM | (0.08) | (0.10) | 0.02 | -20.0% |
| Tax impact of foreign currency remeasurement and hedging | - | (0.10) | 0.10 | NM | (0.10) | - | (0.10) | NM |
| Diluted EPS adjusted for certain items (Non-GAAP) (7) | \$ 2.48 | \$ 2.10 | \$ 0.38 | 18.1% | \$ 2.10 | \$ 1.84 | \$ 0.26 | 14.1% |
| Impact of Brakes | (0.09) | - | (0.09) | NM | - | - | - | NM |
| Impact of Brakes restructuring costs (3) | (0.02) | - | (0.02) | NM | - | - | - | NM |
| Impact of Brakes acquisition-related costs (2) | (0.12) | - | (0.12) | NM | - | - | - | NM |
| Impact of interest expense on debt issued for the Brakes acquisition (6) | 0.15 | - | 0.15 | NM | - | - | - | NM |
| Tax impact of interest expense on debt issued for the Brakes acquisition (5) | (0.06) | - | (0.06) | NM | - | - | - | NM |
| Less 1 week impact of fourth quarter diluted earnings per share | - | (0.05) | 0.05 | NM | (0.05) | - | (0.05) | NM |
| Diluted EPS adjusted for certain items, extra week and excluding the impact of Brakes (Non-GAAP) (7) | \$ 2.34 | \$ 2.06 | \$ 0.28 | 13.6% | \$ 2.06 | \$ 1.84 | \$ 0.22 | 12.0% |
| Diluted shares outstanding | 548,545,027 | 577,391,406 | | | 577,391,406 | 596,849,034 | | |
| 2-year average diluted EPS adjusted for certain items, extra week and excluding the impact of Brakes (Non-GAAP) | | | | 12.8% | | | | |

(1) Fiscal 2017 includes \$111 million in accelerated depreciation associated with our revised business technology strategy and \$46 million related to professional fees on 3-year financial objectives, restructuring expenses within our Brakes operations, costs to convert to legacy systems in conjunction with our revised business technology strategy and severance charges related to restructuring.

(2) Fiscal 2017 includes \$76 million related to intangible amortization expense from the Brakes acquisition, which is included in the results of Brakes and \$24 million in transaction costs. Fiscal 2016 and fiscal 2015 includes US Foods merger termination costs.

(3) Includes Brakes acquisition restructuring charges.

(4) Includes US Foods financing costs (first quarter 2016 and fiscal 2015 only) and Brakes acquisition financing costs (third and fourth quarter fiscal 2016 only).

(5) The tax impact of adjustments for certain items are calculated by multiplying the pretax impact of each certain item by the statutory rates in effect for each jurisdiction where the certain item was incurred. The adjustments also include \$7 million in non-deductible transaction costs and \$4 million in other one-time costs related to the Brakes acquisition in fiscal 2017.

(6) Sysco Corporation issued debt to fund the Acquisition. The interest expense arising from the debt issued is attributed to the incremental impact of Brakes operating results, even though it is not a direct obligation of the Brakes Group and is not considered a certain item.

(7) Individual components of diluted earnings per share may not add to the total presented due to rounding. Total diluted earnings per share is calculated using adjusted net earnings divided by diluted shares outstanding. NM represents that the percentage change is not meaningful.

Sysco Corporation and its Consolidated Subsidiaries

Non-GAAP Reconciliation (Unaudited)

Adjusted Return on Invested Capital (ROIC)

(In Thousands)

We calculate ROIC as net earnings divided by (i) stockholder's equity, computed as the average of adjusted stockholders' equity at the beginning of the year and at the end of each fiscal quarter during the year; and (ii) long-term debt, computed as the average of the long-term debt at the beginning of the year and at the end of each fiscal quarter during the year. All components of our ROIC calculation are impacted by Certain Items. As a result, in the non-GAAP reconciliation below for fiscal 2017 and 2016, adjusted total invested capital is computed as the sum of (i) adjusted stockholder's equity, computed as the average of adjusted stockholders' equity at the beginning of the year and at the end of each fiscal quarter during the year; and (ii) adjusted long-term debt, computed as the average of the adjusted long-term debt at the beginning of the year and at the end of each fiscal quarter during the year. Sysco considers adjusted ROIC to be a measure that provides useful information to management and investors in evaluating the efficiency and effectiveness of the company's long-term capital investments, and we currently use ROIC as a performance criteria in our management incentive programs. It is possible that a different definition of ROIC may be used by other companies since it can be defined differently. An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP. In the table that follows, Adjusted ROIC for each period presented is to a GAAP based calculation of ROIC.

| | 52-Week Period Ended Jul. 1, 2017 | 53-Week Period Ended Jul. 2, 2016 | 2-year Average |
|--|--|--|---------------------------|
| Form of calculation: | | | |
| Net earnings (GAAP) | \$ 1,142,502 | \$ 949,622 | |
| Impact of Certain Items on net earnings | 216,570 | 238,396 | |
| Adjusted net earnings (Non-GAAP) | <u>1,359,072</u> | <u>1,188,018</u> | |
| Impact of Brakes | 82,021 | - | |
| Adjusted net earnings excluding Brakes (Non-GAAP) | <u>\$ 1,277,052</u> | <u>\$ 1,188,018</u> | |
| Invested Capital (GAAP) | \$ 10,820,302 | \$ 9,693,589 | |
| Adjustments to invested capital | (307,736) ⁽¹⁾ | (1,267,922) ⁽²⁾ | |
| Adjusted Invested Capital (Non-GAAP) | <u>10,512,566</u> | <u>8,425,667</u> | |
| Impact of Brakes | 2,621,746 | - | |
| Adjusted invested capital excluding Brakes | <u>\$ 7,890,820</u> | <u>\$ 8,425,667</u> | |
| Return on investment capital (GAAP) | 10.6% | 9.8% | 10.2% |
| Adjusted return on investment capital (Non-GAAP) | 12.9% | 14.1% | 13.5% |
| Adjusted return on investment capital excluding Brakes (Non-GAAP) | 16.2% | 14.1% | 15.1% |

⁽¹⁾ Shareholder's equity adjustments include the impact of Certain Items from earnings and removal of foreign currency translation adjustments that arose in the fiscal year.

⁽²⁾ Adjustments to invested capital includes the removal of debt incurred for the Brakes Acquisition that would not have been borrowed absent this acquisition. Shareholder's equity adjustments include the impact of Certain Items from earnings and removal of foreign currency translation adjustments that arose in the fiscal year.

Adjusted Return on Invested Capital (ROIC) Target

We have an ROIC target of 16% that we expect to achieve by fiscal 2020. We cannot predict with certainty when we will achieve these results or whether the calculation of our ROIC in such future period will be on an adjusted basis due to the effect of certain items, which would be excluded from such calculation. Due to these uncertainties, we cannot provide a quantitative reconciliation of this non-GAAP measure to the most directly comparable GAAP measure without unreasonable effort. However, we would expect to calculate adjusted ROIC, if applicable, in the same manner as we have calculated this historically and all components of our adjusted ROIC calculation would be impacted by certain items as shown in the foregoing calculation.

OPERATING LEVERAGE



Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Total Sysco Operating Leverage (Impact of Certain Items, extra week and Brakes)
(In Thousands)

| | |
|--|-------|
| (4) 27 month average gross profit (GAAP) | 10.5% |
| (4) 27 month average gross profit excluding the impact of Brakes (Non-GAAP) | 3.9% |
| (4) 27 month average operating expenses (GAAP) | 7.2% |
| (4) 27 month average operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP) | 2.0% |

| | 13-Week Period Ended Sep. 30, 2017 | 13-Week Period Ended Oct. 1, 2016 | 13-Week Period Change In Dollars | 13-Week Period % Change | 13-Week Period Ended July 1, 2017 | 13-Week Period Ended July 2, 2016 | 13-Week Period Change In Dollars | 13-Week Period % Change | 13-Week Period Ended Apr. 1, 2017 | 13-Week Period Ended Mar. 26, 2016 | 13-Week Period Change In Dollars | 13-Week Period % Change |
|--|--|---|--|-------------------------------|---|---|--|-------------------------------|---|--|--|-------------------------------|
| Gross profit | \$ 2,793,668 | \$ 2,691,919 | \$ 101,749 | 3.8% (a) | \$ 2,759,590 | \$ 2,502,838 | \$ 256,752 | 10.3% (a) | \$ 2,534,135 | \$ 2,142,825 | \$ 391,310 | 18.3% (a) |
| Impact of Brakes | (342,059) | (343,051) | 992 | -0.3% | (338,721) | - | (338,721) | NM | (298,947) | - | (298,947) | NM |
| Less 1 week fourth quarter gross profit | - | - | - | NM | - | (178,774) | 178,774 | NM | - | - | - | NM |
| Comparable gross profit using a 13 week basis and excluding the impact of Brakes (Non-GAAP) | \$ 2,451,609 | \$ 2,348,868 | \$ 102,741 | 4.4% (b) | \$ 2,420,869 | \$ 2,324,064 | \$ 96,805 | 4.2% (b) | \$ 2,235,188 | \$ 2,142,825 | \$ 92,363 | 4.3% (b) |
| Operating expenses (GAAP) | \$ 2,170,576 | \$ 2,125,086 | \$ 45,490 | 2.1% (c) | \$ 2,201,631 | \$ 1,956,013 | \$ 245,618 | 12.6% (c) | \$ 2,098,173 | \$ 1,765,207 | \$ 332,966 | 18.9% (c) |
| Impact of certain items | (38,798) | (59,995) | 21,197 | -35.3% | (108,870) | (81,432) | (27,438) | 33.7% | (64,336) | (60,030) | (4,306) | 7.2% |
| Impact of Brakes | (313,104) | (300,270) | (12,834) | 4.3% | (307,501) | - | (307,501) | NM | (295,909) | - | (295,909) | NM |
| Less 1 week fourth quarter operating expense | - | - | - | NM | - | (133,899) | 133,899 | NM | - | - | - | NM |
| Operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP) | \$ 1,818,674 | \$ 1,764,821 | \$ 53,853 | 3.1% (d) | \$ 1,785,260 | \$ 1,740,682 | \$ 44,578 | 2.6% (d) | \$ 1,737,928 | \$ 1,705,177 | \$ 32,751 | 1.9% (d) |

| | 13-Week Period Ended Dec. 31, 2016 | 13-Week Period Ended Dec. 26, 2015 | 13-Week Period Change In Dollars | 13-Week Period % Change | 13-Week Period Ended Oct. 1, 2016 | 13-Week Period Ended Sep. 26, 2015 | 13-Week Period Change In Dollars | 13-Week Period % Change | 13-Week Period Ended July 2, 2016 | 13-Week Period Ended June 27, 2015 | 13-Week Period Change In Dollars | 13-Week Period % Change |
|--|--|--|--|-------------------------------|---|--|--|-------------------------------|---|--|--|-------------------------------|
| Gross profit | \$ 2,571,863 | \$ 2,156,814 | \$ 415,049 | 19.2% (a) | \$ 2,691,919 | \$ 453,924 | \$ 2,237,995 | 20.3% (a) | \$ 2,502,838 | \$ 2,220,164 | \$ 282,674 | 12.7% (a) |
| Impact of Brakes | (353,133) | - | (353,133) | NM | (343,051) | - | (343,051) | NM | (178,774) | - | (178,774) | NM |
| Gross profit excluding the impact of Brakes (Non-GAAP) | \$ 2,218,730 | \$ 2,156,814 | \$ 61,916 | 2.9% (b) | \$ 2,348,868 | \$ 2,237,995 | \$ 110,873 | 5.0% (b) | \$ 2,324,064 | \$ 2,220,164 | \$ 103,900 | 4.7% (b) |
| Operating expenses (GAAP) | \$ 2,079,446 | \$ 1,724,231 | \$ 355,215 | 20.6% (c) | \$ 2,125,086 | \$ 1,744,521 | \$ 380,565 | 21.8% (c) | \$ 1,956,013 | \$ 2,099,169 | \$ (143,156) | -6.8% (c) |
| Impact of certain items | (65,460) | (4,281) | (61,179) | NM | (59,995) | (13,005) | (46,990) | NM | (81,432) | (388,250) | 306,818 | NM |
| Impact of Brakes | (287,114) | - | (287,114) | NM | (300,271) | - | (300,271) | NM | (133,899) | - | (133,899) | NM |
| Operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP) | \$ 1,726,873 | \$ 1,719,950 | \$ 6,923 | 0.4% (d) | \$ 1,764,820 | \$ 1,731,516 | \$ 33,304 | 1.9% (d) | \$ 1,740,682 | \$ 1,710,919 | \$ 29,763 | 1.7% (d) |

| | 13-Week Period Ended Mar. 26, 2016 | 13-Week Period Ended Mar. 26, 2015 | 13-Week Period Change In Dollars | 13-Week Period % Change | 13-Week Period Ended Dec. 26, 2015 | 13-Week Period Ended Dec. 27, 2014 | 13-Week Period Change In Dollars | 13-Week Period % Change | 13-Week Period Ended Sep. 26, 2015 | 13-Week Period Ended Sep. 27, 2014 | 13-Week Period Change In Dollars | 13-Week Period % Change |
|---|--|--|--|-------------------------------|--|--|--|-------------------------------|--|--|--|-------------------------------|
| Gross profit | \$ 2,142,825 | \$ 2,057,498 | \$ 85,327 | 4.1% (a)(b) | \$ 2,156,814 | \$ 2,085,137 | \$ 71,677 | 3.4% (a)(b) | \$ 2,237,995 | \$ 2,188,717 | \$ 49,278 | 2.3% (a)(b) |
| Operating expenses (GAAP) | \$ 1,765,207 | \$ 1,730,190 | \$ 35,017 | 2.0% (c) | \$ 1,724,231 | \$ 1,769,691 | \$ (45,460) | -2.6% (c) | \$ 1,744,521 | \$ 1,723,104 | \$ 21,417 | 1.2% (c) |
| Impact of certain items | (60,029) | (49,974) | (10,055) | 20.1% | (4,281) | (80,809) | 76,528 | NM | (13,005) | (43,435) | 30,430 | NM |
| Operating expenses adjusted for certain items (Non-GAAP) | \$ 1,705,178 | \$ 1,680,216 | \$ 24,962 | 1.5% (d) | \$ 1,719,950 | \$ 1,688,882 | \$ 31,068 | 1.8% (d) | \$ 1,731,516 | \$ 1,679,669 | \$ 51,847 | 3.1% (d) |

FREE CASH FLOW

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Free Cash Flow and Adjusted Free Cash Flow

(In Thousands)

Free cash flow represents net cash provided from operating activities less purchases of plant and equipment and includes proceeds from sales of plant and equipment. Adjusted free cash flow adjusts out the cash impact of our Certain Items representing primarily restructuring and acquisition costs. Sysco considers free cash flow and adjusted free cash flow to be liquidity measures that provide useful information to management and investors about the amount of cash generated by the business after the purchases and sales of buildings, fleet, equipment and technology, which may potentially be used to pay for, among other things, strategic uses of cash including dividend payments, share repurchases and acquisitions. Adjusted free cash flow further provides the amount of cash generated excluding larger payments sometimes incurred with our certain items. However, free cash flow may not be available for discretionary expenditures, as it may be necessary that we use it to make mandatory debt service or other payments. Free cash flow and adjusted free cash flow should not be used as a substitute in assessing the company's liquidity for the periods presented. An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP. In the table that follows, the free cash flow and adjusted free cash flow for each period presented are reconciled to net cash provided by operating activities.

| | 52-Week Period Ended Jul. 1, 2017 | 53-Week Period Ended Jul. 2, 2016 | 52-Week Period Ended Jun. 27, 2015 |
|---|--|--|---|
| Net cash provided by operating activities (GAAP) | \$ 2,176,425 | \$ 1,933,142 | \$ 1,555,484 |
| Additions to plant and equipment | (686,378) | (527,346) | (542,830) |
| Proceeds from sales of plant and equipment | 23,715 | 23,511 | 24,472 |
| Free cash flow (Non-GAAP) | \$ 1,513,762 | \$ 1,429,307 | \$ 1,037,126 |
| Impact of certain items on operating cash flows | 108,658 | 454,980 | 350,307 |
| Tax impact of certain items in operating cash flows | (22,819) | (175,201) | (119,470) |
| Adjusted Free cash flow (Non-GAAP) | \$ 1,599,601 | \$ 1,709,086 | \$ 1,267,963 |

ADJUSTED SALES, GROSS PROFIT, OPERATING EXPENSE, OPERATING INCOME, EARNINGS PER SHARE AND ADJUSTED OPERATING INCOME TARGETS



Sales, Gross Profit, Operating Expense, Operating Income and Earnings per Share Targets

We expect to achieve our sales, gross profit, operating expense, operating income and earnings per share (EPS) targets under our 3-year strategic plan by fiscal 2020. We cannot predict with certainty when we will achieve these results or whether the calculation of our sales, gross profit, operating expense, operating income and/or EPS will be on an adjusted basis in future periods to exclude the effect of certain items. Due to these uncertainties, we cannot provide a quantitative reconciliation of these potentially non-GAAP measures to the most directly comparable GAAP measure without unreasonable effort. However, we expect to calculate these adjusted results, if applicable, in the same manner as the reconciliations provided for the historical periods that are presented herein.

Adjusted Operating Income Margin Target

We have an adjusted operating income margin target of 5% that we expect to achieve by fiscal 2020. We cannot predict with certainty when we will achieve these results or whether the calculation of our operating income margin in such future period will be on an adjusted basis due to the effect of certain items, which would be excluded from such calculation. Due to these uncertainties, we cannot provide a quantitative reconciliation of this non-GAAP measure to the most directly comparable GAAP measure without unreasonable effort. However, we would expect to calculate adjusted operating income margin, if applicable, in the same manner as we have calculated this historically. All components of our adjusted operating income margin calculation would be impacted by certain items. We calculate adjusted operating income margin as adjusted operating income divided by sales.

Form of calculation:

Sales (GAAP)

Operating income (GAAP)

Impact of certain items

Operating income adjusted for certain items (Non-GAAP)

Operating margin (GAAP)

Operating margin excluding certain items (Non-GAAP)