

Appendix

2Q17 Results Regulation G Financial Reconciliations

**SCHEDULE 3 (FROM 2Q17 EARNINGS RELEASE)
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾**
(in thousands, except percentages)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2017</u>	<u>June 25, 2016</u>	<u>July 1, 2017</u>	<u>June 25, 2016</u>
Research Models and Services				
Revenue	\$ 124,002	\$ 125,058	\$ 251,163	\$ 248,397
Operating income	33,579	35,445	71,290	71,831
Operating income as a % of revenue	27.1%	28.3%	28.4%	28.9%
Add back:				
Amortization related to acquisitions	369	596	805	1,184
Government billing adjustment and related expenses	57	69	150	129
Site consolidation costs, impairments and other items	-	69	-	138
Total non-GAAP adjustments to operating income	<u>\$ 426</u>	<u>\$ 734</u>	<u>\$ 955</u>	<u>\$ 1,451</u>
Operating income, excluding non-GAAP adjustments	\$ 34,005	\$ 36,179	\$ 72,245	\$ 73,282
Non-GAAP operating income as a % of revenue	27.4%	28.9%	28.8%	29.5%
Depreciation and amortization	\$ 4,945	\$ 5,118	\$ 10,037	\$ 10,368
Capital expenditures	\$ 4,404	\$ 2,381	\$ 7,007	\$ 3,434
Discovery and Safety Assessment				
Revenue	\$ 252,092	\$ 221,059	\$ 479,850	\$ 379,042
Operating income	51,690	32,381	90,350	63,211
Operating income as a % of revenue	20.5%	14.6%	18.8%	16.7%
Add back:				
Amortization related to acquisitions	6,905	7,390	14,505	10,485
Severance	76	4,099	272	4,120
Acquisition related adjustments ⁽²⁾	824	2,838	1,527	3,640
Site consolidation costs, impairments and other items	150	121	559	2,154
Total non-GAAP adjustments to operating income	<u>\$ 7,955</u>	<u>\$ 14,448</u>	<u>\$ 16,863</u>	<u>\$ 20,399</u>
Operating income, excluding non-GAAP adjustments	\$ 59,645	\$ 46,829	\$ 107,213	\$ 83,610
Non-GAAP operating income as a % of revenue	23.7%	21.2%	22.3%	22.1%
Depreciation and amortization	\$ 18,965	\$ 18,600	\$ 38,334	\$ 30,557
Capital expenditures	\$ 7,102	\$ 4,644	\$ 15,425	\$ 9,351
Manufacturing Support				
Revenue	\$ 93,035	\$ 87,938	\$ 183,879	\$ 161,484
Operating income	29,041	27,121	55,642	46,736
Operating income as a % of revenue	31.2%	30.8%	30.3%	28.9%
Add back:				
Amortization related to acquisitions	2,544	3,475	5,246	6,479
Severance ⁽³⁾	247	-	1,068	-
Acquisition related adjustments ⁽²⁾	-	490	26	677
Site consolidation costs, impairments and other items	-	72	-	301
Total non-GAAP adjustments to operating income	<u>\$ 2,791</u>	<u>\$ 4,037</u>	<u>\$ 6,340</u>	<u>\$ 7,457</u>
Operating income, excluding non-GAAP adjustments	\$ 31,832	\$ 31,158	\$ 61,982	\$ 54,193
Non-GAAP operating income as a % of revenue	34.2%	35.4%	33.7%	33.6%
Depreciation and amortization	\$ 5,787	\$ 6,525	\$ 11,749	\$ 12,501
Capital expenditures	\$ 1,939	\$ 4,256	\$ 4,231	\$ 6,385

CONTINUED ON NEXT SLIDE

SCHEDULE 3 (FROM 2Q17 EARNINGS RELEASE)
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾
(in thousands, except percentages)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2017</u>	<u>June 25, 2016</u>	<u>July 1, 2017</u>	<u>June 25, 2016</u>
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	\$ (33,000)	\$ (36,886)	\$ (66,500)	\$ (72,245)
Add back:				
Acquisition related adjustments ⁽²⁾	<u>1,192</u>	<u>7,260</u>	<u>1,213</u>	<u>11,023</u>
Total non-GAAP adjustments to operating expense	<u>\$ 1,192</u>	<u>\$ 7,260</u>	<u>\$ 1,213</u>	<u>\$ 11,023</u>
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (31,808)	\$ (29,626)	\$ (65,287)	\$ (61,222)
Total				
Revenue	\$ 469,129	\$ 434,055	\$ 914,892	\$ 788,923
Operating income	\$ 81,310	58,061	150,782	109,533
Operating income as a % of revenue	17.3%	13.4%	16.5%	13.9%
Add back:				
Amortization related to acquisitions	9,818	11,461	20,556	18,148
Severance	323	4,099	1,340	4,120
Acquisition related adjustments ⁽²⁾	2,016	10,588	2,766	15,340
Government billing adjustment and related expenses	57	69	150	129
Site consolidation costs, impairments and other items	<u>150</u>	<u>262</u>	<u>559</u>	<u>2,593</u>
Total non-GAAP adjustments to operating income	<u>\$ 12,364</u>	<u>\$ 26,479</u>	<u>\$ 25,371</u>	<u>\$ 40,330</u>
Operating income, excluding non-GAAP adjustments	\$ 93,674	\$ 84,540	\$ 176,153	\$ 149,863
Non-GAAP operating income as a % of revenue	20.0%	19.5%	19.3%	19.0%
Depreciation and amortization	\$ 31,799	\$ 32,353	\$ 64,210	\$ 57,008
Capital expenditures	\$ 15,997	\$ 11,791	\$ 31,917	\$ 20,041

- (1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.
- (2) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.
- (3) This adjustment relates to transition costs associated with the divestiture of the CDMO business.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 4 (FROM 2Q17 EARNINGS RELEASE)
RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)⁽¹⁾
(in thousands, except per share data)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2017</u>	<u>June 25, 2016</u>	<u>July 1, 2017</u>	<u>June 25, 2016</u>
Net income attributable to common shareholders	\$ 53,952	\$ 35,207	\$ 100,730	\$ 72,350
Less: Income (loss) from discontinued operations, net of income taxes	(71)	12	(75)	(14)
Net income from continuing operations attributable to common shareholders	54,023	35,195	100,805	72,364
Add back:				
Non-GAAP adjustments to operating income (Refer to Schedule 3)	12,364	26,479	25,371	40,330
Gain on divestiture of CDMO business	-	-	(10,577)	-
Write-off of deferred financing costs and fees related to debt financing	-	1,449	-	1,449
Tax effect of non-GAAP adjustments:				
Tax effect from divestiture of CDMO business	-	-	18,005	-
Tax effect of the remaining non-GAAP adjustments	(4,035)	(5,767)	(8,699)	(10,249)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 62,352</u>	<u>\$ 57,356</u>	<u>\$ 124,905</u>	<u>\$ 103,894</u>
Weighted average shares outstanding - Basic	47,591	47,061	47,569	46,852
Effect of dilutive securities:				
Stock options, restricted stock units, performance share units and restricted stock	751	858	835	939
Weighted average shares outstanding - Diluted	<u>48,342</u>	<u>47,919</u>	<u>48,404</u>	<u>47,791</u>
Earnings per share from continuing operations attributable to common shareholders				
Basic	\$ 1.14	\$ 0.75	\$ 2.12	\$ 1.54
Diluted	\$ 1.12	\$ 0.73	\$ 2.08	\$ 1.51
Basic, excluding non-GAAP adjustments	\$ 1.31	\$ 1.22	\$ 2.63	\$ 2.22
Diluted, excluding non-GAAP adjustments	\$ 1.29	\$ 1.20	\$ 2.58	\$ 2.17

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

**SCHEDULE 5 (FROM 2Q17 EARNINGS RELEASE)
RECONCILIATION OF GAAP REVENUE GROWTH
TO NON-GAAP REVENUE GROWTH, ORGANIC (UNAUDITED) ⁽¹⁾**

For the three months ended July 1, 2017	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	8.1%	(0.8%)	14.0%	5.8%
Decrease due to foreign exchange	1.9%	1.8%	2.2%	1.4%
Contribution from acquisitions ⁽²⁾	(3.9%)	0.0%	(6.9%)	(1.9%)
Impact of CDMO divestiture ⁽³⁾	1.0%	0.0%	0.0%	4.8%
Non-GAAP revenue growth, organic ⁽⁴⁾	7.1%	1.0%	9.3%	10.1%
For the six months ended July 1, 2017	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	16.0%	1.1%	26.6%	13.9%
Decrease due to foreign exchange	2.0%	1.8%	2.3%	1.6%
Contribution from acquisitions ⁽²⁾	(10.9%)	0.0%	(21.4%)	(3.2%)
Impact of CDMO divestiture ⁽³⁾	0.5%	0.0%	0.0%	2.7%
Non-GAAP revenue growth, organic ⁽⁴⁾	7.6%	2.9%	7.5%	15.0%

- (1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.
- (2) The contribution from acquisitions reflects only those acquisitions which were completed during fiscal year 2016.
- (3) The CDMO business, which was acquired as part of WIL Research on April 4, 2016, was divested on February 10, 2017. This adjustment represents the revenue from the CDMO business for all applicable periods in 2017 and 2016.
- (4) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign exchange.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP REVENUE AND EARNINGS PER SHARE (EPS)
Guidance for the Twelve Months Ended December 30, 2017E

	2017E Guidance	
	REVISED	PRIOR
Revenue growth, reported	8.5%-10.0%	7.5%-9.0%
Less: Contribution of acquisitions (1)	(~5.0%-6.0%)	(~5.0%-6.0%)
Add: Effect of CDMO divestiture	~1.0%	~1.0%
Less: Negative effect of 53rd week in 2016	~1.5%	~1.5%
Less: Negative effect of foreign exchange	~1.0%	~2.0%-2.5%
Revenue growth, organic (Non-GAAP) (2)	7.0%-8.5%	7.0%-8.5%
GAAP EPS estimate	\$4.18-\$4.33	\$4.18-\$4.33
Add back:		
Amortization of intangible assets (3)	~\$0.58	~\$0.58
Charges related to global efficiency initiatives (4)	~\$0.02	~\$0.02
Acquisition/divestiture-related adjustments (5)	~\$0.07	~\$0.07
Net impact of CDMO divestiture (6)	~\$0.15	~\$0.15
Non-GAAP EPS estimate	\$5.00-\$5.15	\$5.00-\$5.15

Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

- (1) The contribution from acquisitions reflects only those acquisitions which have already been completed.
- (2) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, the divestiture of the CDMO business, the 53rd week, and foreign currency translation.
- (3) This adjustment does not include the impact of amortization of intangible assets related to the Brains On-Line acquisition because the preliminary purchase price allocation has not been completed.
- (4) These charges relate primarily to the Company's planned efficiency initiatives in 2017, including site consolidation costs, asset impairments, and severance. Other projects in support of the global productivity and efficiency initiatives are expected, but these charges reflect only the decisions that have already been finalized.
- (5) These adjustments are related to the evaluation and integration of acquisitions and the divestiture of the CDMO business, and primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives.
- (6) These adjustments include the preliminary net gain and tax impact related to the divestiture of the CDMO business.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF FREE CASH FLOW (NON-GAAP) (1)
(dollars in thousands)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>		<u>Fiscal Year Ended</u> <u>December 30,</u> <u>2017E</u>
	<u>July 1,</u> <u>2017</u>	<u>June 25,</u> <u>2016 (3)</u>	<u>July 1,</u> <u>2017</u>	<u>June 25,</u> <u>2016 (3)</u>	
Net cash provided by operating activities	\$ 100,323	\$ 80,112	\$ 134,352	\$ 125,956	\$340,000-\$350,000
Addback: Tax impact of CDMO divestiture (2)	5,800	--	6,500	--	6,500
Less: Capital expenditures	(15,997)	(11,791)	(31,917)	(20,041)	(75,000-85,000)
Free cash flow	<u>\$ 90,126</u>	<u>\$ 68,321</u>	<u>\$ 108,935</u>	<u>\$ 105,915</u>	<u>\$265,000-\$275,000</u>

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(2) Free cash flow has been adjusted to exclude the cash tax impact related to the divestiture of the CDMO business, which is recorded in Cash Flows relating to Operating Activities, because divestitures are outside of our normal operations, the corresponding cash proceeds from the divestiture are reflected in Cash Flows relating to Investing Activities, and the impact of the CDMO divestiture is large, which can adversely affect the comparability of our results on a period-to-period basis.

(3) Prior-year cash flow amounts have been recast to reflect the retrospective adoption of new accounting standards in 1Q17 (ASU 2016-09, ASU 2016-15, ASU 2016-18).

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)⁽¹⁾

(in thousands)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2017</u>	<u>June 25, 2016</u>	<u>July 1, 2017</u>	<u>June 25, 2016</u>
Income from continuing operations before income taxes & noncontrolling interest	\$ 76,916	\$ 54,390	\$ 154,963	\$ 105,940
Add back:				
Amortization related to acquisitions	9,818	11,461	20,556	18,148
Severance	323	4,099	1,340	4,120
Acquisition related adjustments (2)	2,016	10,588	2,766	15,340
Government billing adjustment and related expenses	57	69	150	129
Site consolidation costs, impairments and other items	150	262	559	2,593
Gain on CDMO divestiture	-	-	(10,577)	-
Write-off of deferred financing costs and fees related to debt financing	-	1,449	-	1,449
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	<u>\$ 89,280</u>	<u>\$ 82,318</u>	<u>\$ 169,757</u>	<u>\$ 147,719</u>
Provision for income taxes (GAAP)	\$ 22,243	\$ 18,845	\$ 53,327	\$ 32,820
Tax effect from CDMO divestiture	\$ —	\$ —	\$ (18,005)	\$ —
Tax effect of the remaining non-GAAP adjustments	<u>\$ 4,035</u>	<u>\$ 5,767</u>	<u>\$ 8,699</u>	<u>\$ 10,249</u>
Provision for income taxes (Non-GAAP)	\$ 26,278	\$ 24,612	\$ 44,021	\$ 43,069
Total rate (GAAP)	28.9%	34.6%	34.4%	31.0%
Total rate, excluding specified charges (Non-GAAP)	29.4%	29.9%	25.9%	29.2%

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- (2) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP TAX RATE GUIDANCE**

	<u>Fiscal Year Ended</u> December 30, 2017E
GAAP Tax Rate	31.0%-32.0%
Net impact of divestiture of CDMO business and, to a lesser extent, other adjustments	~(4.0%)
Non-GAAP Tax Rate	<hr/> 27.0%-28.0% <hr/>

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP NET INTEREST EXPENSE

(dollars in thousands)

	Three Months Ended		
	July 1, 2017	April 1, 2017	June 25, 2016
GAAP Interest Expense, net	\$ 7,242	\$ 6,781	\$ 8,687
Exclude:			
Write-off of deferred financing costs and fees related to debt financing	-	-	(1,449)
Non-GAAP Interest Expense, net	\$ 7,242	\$ 6,781	\$ 7,238

Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP
UNALLOCATED CORPORATE OVERHEAD (UNAUDITED) ⁽¹⁾
(in thousands, except percentages)

	Three Months Ended
	April 1, 2017
Unallocated Corporate Overhead	\$ (33,500)
Add back:	
Acquisition related adjustments ⁽²⁾	21
Total non-GAAP adjustments to operating expense	\$ 21
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (33,479)

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- (2) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)⁽¹⁾
(in thousands)

	Three Months Ended
	April 1, 2017
Income from continuing operations before income taxes & noncontrolling interest	\$ 78,047
Add back:	
Amortization related to acquisitions	10,738
Severance	1,017
Acquisition related adjustments (2)	750
Government billing adjustment and related expenses	93
Site consolidation costs, impairments and other items	409
Gain on divestiture of CDMO business	(10,577)
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	\$ 80,477
Provision for income taxes (GAAP)	\$ 31,084
Tax effect from divestiture of CDMO business	(18,005)
Tax effect of the remaining non-GAAP adjustments	4,664
Provision for income taxes (Non-GAAP)	\$ 17,743
Total rate (GAAP)	39.8%
Total rate, excluding specified charges (Non-GAAP)	22.0%

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- (2) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.

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