

3Q16 Results

Regulation G Financial Reconciliations & Appendix

Charles River Laboratories International, Inc.
November 2, 2016

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 3 FROM 3Q16 PRESS RELEASE
 RECONCILIATION OF GAAP TO NON-GAAP
 SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) ⁽¹⁾
 (in thousands, except percentages)

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
Research Models and Services				
Revenue	\$ 120,928	\$ 117,894	\$ 369,325	\$ 356,570
Operating income	31,224	31,427	103,055	93,581
Operating income as a % of revenue	25.8%	26.7%	27.9%	26.2%
Add back:				
Amortization of intangible assets related to acquisitions	592	757	1,776	2,291
Severance	618	167	618	1,166
Government billing adjustment and related expenses	505	45	634	336
Site consolidation costs, impairments and other items	69	57	207	1,415
Total non-GAAP adjustments to operating income	\$ 1,784	\$ 1,026	\$ 3,235	\$ 5,208
Operating income, excluding non-GAAP adjustments	\$ 33,008	\$ 32,453	\$ 106,290	\$ 98,789
Non-GAAP operating income as a % of revenue	27.3%	27.5%	28.8%	27.7%
Depreciation and amortization	\$ 5,245	\$ 5,279	\$ 15,613	\$ 16,590
Capital expenditures	\$ 2,532	\$ 3,022	\$ 5,966	\$ 12,111
Discovery and Safety Assessment				
Revenue	\$ 215,817	\$ 158,272	\$ 594,859	\$ 451,659
Operating income	31,303	33,191	94,514	84,856
Operating income as a % of revenue	14.5%	21.0%	15.9%	18.8%
Add back:				
Amortization of intangible assets related to acquisitions	8,583	3,412	19,068	10,632
Severance	3,367	239	7,487	714
Operating losses (2)	-	1,319	-	2,863
Acquisition related adjustments (3)	677	135	4,317	160
Site consolidation costs, impairments and other items	5,125	-	7,279	-
Total non-GAAP adjustments to operating income	\$ 17,752	\$ 5,105	\$ 38,151	\$ 14,369
Operating income, excluding non-GAAP adjustments	\$ 49,055	\$ 38,296	\$ 132,665	\$ 99,225
Non-GAAP operating income as a % of revenue	22.7%	24.2%	22.3%	22.0%
Depreciation and amortization	\$ 20,671	\$ 11,509	\$ 51,228	\$ 35,060
Capital expenditures	\$ 4,509	\$ 4,277	\$ 13,860	\$ 13,756
Manufacturing Support				
Revenue	\$ 88,975	\$ 73,299	\$ 250,459	\$ 201,223
Operating income	26,711	18,491	73,447	55,872
Operating income as a % of revenue	30.0%	25.2%	29.3%	27.8%
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	2,888	4,429	9,367	6,650
Severance	30	961	30	1,256
Acquisition related adjustments (3)	469	483	1,146	1,011
Site consolidation costs, impairments and other items	-	-	301	-
Total non-GAAP adjustments to operating income	\$ 3,387	\$ 5,873	\$ 10,844	\$ 8,917
Operating income, excluding non-GAAP adjustments	\$ 30,098	\$ 24,364	\$ 84,291	\$ 64,789
Non-GAAP operating income as a % of revenue	33.8%	33.2%	33.7%	32.2%
Depreciation and amortization	\$ 6,181	\$ 5,179	\$ 18,682	\$ 12,156
Capital expenditures	\$ 1,862	\$ 2,139	\$ 8,247	\$ 5,475

CONTINUED ON NEXT SLIDE

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 3 FROM 3Q16 PRESS RELEASE
 RECONCILIATION OF GAAP TO NON-GAAP
 SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) ⁽¹⁾
 (in thousands, except percentages)

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	\$ (30,443)	\$ (27,669)	\$ (102,688)	(80,129)
Add back:				
Severance and executive transition costs	-	1,054	-	2,031
Acquisition related adjustments (3)	2,033	3,055	13,056	6,649
Total non-GAAP adjustments to operating expense	\$ 2,033	\$ 4,109	\$ 13,056	\$ 8,680
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (28,410)	\$ (23,560)	\$ (89,632)	\$ (71,449)
Total				
Revenue	\$ 425,720	\$ 349,465	\$ 1,214,643	\$ 1,009,452
Operating income	58,795	55,440	168,328	154,180
Operating income as a % of revenue	13.8%	15.9%	13.9%	15.3%
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	12,063	8,598	30,211	19,573
Severance and executive transition costs	4,015	2,421	8,135	5,167
Operating losses (2)	-	1,319	-	2,863
Acquisition related adjustments (3)	3,179	3,673	18,519	7,820
Government billing adjustment and related expenses	505	45	634	336
Site consolidation costs, impairments and other items	5,194	57	7,787	1,415
Total non-GAAP adjustments to operating income	\$ 24,956	\$ 16,113	\$ 65,286	\$ 37,174
Operating income, excluding non-GAAP adjustments	\$ 83,751	\$ 71,553	\$ 233,614	\$ 191,354
Non-GAAP operating income as a % of revenue	19.7%	20.5%	19.2%	19.0%
Depreciation and amortization	\$ 34,108	\$ 23,814	\$ 91,116	\$ 69,330
Capital expenditures	\$ 9,568	\$ 10,452	\$ 29,609	\$ 35,008

- (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) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (3) 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.

SCHEDULE 4 FROM 3Q16 PRESS RELEASE
RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)⁽¹⁾
 (in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
Net income attributable to common shareholders	\$ 37,735	\$ 37,379	\$ 110,085	\$ 117,429
Less: Income (loss) from discontinued operations, net of income taxes	(342)	34	(328)	48
Net income from continuing operations attributable to common shareholders	37,393	37,413	109,757	117,477
Add back:				
Non-GAAP adjustments to operating income (Refer to Schedule 3)	24,956	16,113	65,286	37,174
Reversal of an indemnification asset associated with acquisition and corresponding interest (2)	54	-	54	10,411
Write-off (adjustments) of deferred financing costs and fees related to debt financing	(462)	(12)	987	721
Gain on bargain purchase (3)	-	(55)	-	(9,933)
Acquisition related adjustments (4)	815	-	815	-
Tax effect of non-GAAP adjustments:				
Reversal of uncertain tax position associated with acquisition and corresponding interest (2)	-	-	-	(10,411)
Tax effect of the remaining non-GAAP adjustments	(6,057)	(4,804)	(16,306)	(13,422)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	\$ 56,699	\$ 48,655	\$ 160,593	\$ 132,017
Weighted average shares outstanding - Basic	47,160	46,290	46,954	46,572
Effect of dilutive securities:				
Stock options, restricted stock units, performance share units and restricted stock	874	955	884	1,012
Weighted average shares outstanding - Diluted	48,034	47,245	47,838	47,584
Earnings per share from continuing operations attributable to common shareholders				
Basic	\$ 0.79	\$ 0.81	\$ 2.34	\$ 2.52
Diluted	\$ 0.78	\$ 0.79	\$ 2.29	\$ 2.47
Basic, excluding non-GAAP adjustments	\$ 1.20	\$ 1.05	\$ 3.42	\$ 2.83
Diluted, excluding non-GAAP adjustments	\$ 1.18	\$ 1.03	\$ 3.36	\$ 2.77

(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 amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset primarily related to the acquisition of BioFocus.

(3) The amounts relate to the acquisition of Sunrise Farms, Inc. and represents the excess of the estimated fair value of the net assets acquired over the purchase price.

(4) The amount represents a \$1.5 million charge recorded in connection with the modification of the option to purchase the remaining 13% equity interest in Vital River, partially offset by a \$0.7 million gain on remeasurement of previously held equity interest in an entity acquired in a step acquisition.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP REVENUE GROWTH (UNAUDITED)
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE AND ACQUISITIONS**

For the three months ended September 24, 2016	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	21.8%	2.6%	36.4%	21.4%
Impact of foreign exchange	(1.5%)	0.5%	(3.4%)	(0.4%)
Non-GAAP revenue growth, constant currency	<u>23.3%</u>	<u>2.1%</u>	<u>39.8%</u>	<u>21.8%</u>
Impact of acquisitions	18.0%	--	35.0%	10.5%
Organic revenue growth, constant currency (Non-GAAP)	<u>5.3%</u>	<u>2.1%</u>	<u>4.8%</u>	<u>11.3%</u>

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 REVENUE AND EARNINGS PER SHARE (EPS)
Guidance for the Twelve Months Ended December 31, 2016E

	2016E Guidance	
	<u>REVISED</u>	<u>PRIOR</u>
Revenue growth, reported	21%-22%	20%-23.5%
Less: Negative impact of foreign exchange	(~1%)	(~1%)
Revenue growth, constant currency	22%-23%	21%-24.5%
Less: Impact of acquisitions	14.5%-15.5%	14%-15.5%
Organic revenue growth, constant currency (Non-GAAP)	7%-8%	7%-9%
GAAP EPS estimate (1)	\$3.13-\$3.18	\$3.15-\$3.25
Add back:		
Amortization of intangible assets (2)	\$0.60	\$0.60
Charges related to global efficiency initiatives (3)	\$0.25-\$0.30	\$0.20
Acquisition-related adjustments (4)	\$0.45	\$0.45
Non-GAAP EPS estimate	\$4.44-\$4.49	\$4.40-\$4.50

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) GAAP EPS includes an estimate of approximately \$0.20 for the impact of amortization of intangible assets related to the WIL Research acquisition based on the preliminary purchase price allocation.

(2) Amortization of intangible assets includes an estimate of approximately \$0.20 for the impact of the WIL Research acquisition based on the preliminary purchase price allocation. This item also includes amortization of an inventory fair value adjustment related to the Celsis acquisition of \$0.02 per share.

(3) These charges relate primarily to the Company's planned efficiency initiatives in 2016, 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.

(4) These adjustments are related to the evaluation and integration of acquisitions, and primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives. These adjustments also include the write-off of deferred financing costs and associated fees related to debt financing.

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Fiscal Year Ended</u>
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015	December 31, 2016E
Net cash provided by operating activities	\$ 69,606	\$ 88,289	\$ 186,123	\$ 185,895	\$307,500-\$312,500
Less: Capital expenditures	<u>(9,568)</u>	<u>(10,452)</u>	<u>(29,609)</u>	<u>(35,008)</u>	<u>(60,000-65,000)</u>
Free cash flow	<u>\$ 60,038</u>	<u>\$ 77,837</u>	<u>\$ 156,514</u>	<u>\$ 150,887</u>	<u>\$245,000-\$250,000</u>

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 GUIDANCE

	<u>Fiscal Year Ended</u> December 31, 2016E
GAAP Unallocated Corporate Overhead	Nearly 8% of revenue
Acquisition-related adjustments and charges related to global efficiency initiatives and other items	~(1.0%)
Non-GAAP Unallocated Corporate Overhead	<hr/> <hr/> ~7% of revenue <hr/> <hr/>

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 NET INTEREST EXPENSE
(dollars in thousands)

	<u>Three Months Ended</u>			<u>Fiscal Year Ended</u>
	<u>September 24, 2016</u>	<u>June 25, 2016</u>	<u>September 26, 2015</u>	<u>December 31, 2016E</u>
GAAP Interest Expense, net	\$ 6,556	\$ 8,687	\$ 3,674	\$26,000-\$28,000
Exclude:				
Write-off (adjustments) of deferred financing costs and fees related to debt financing	(462)	1,449	(12)	\$984
Non-GAAP Interest Expense, net	<u>\$ 7,018</u>	<u>\$ 7,238</u>	<u>\$ 3,686</u>	<u>Low end of \$26,000-\$28,000</u>

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 TAX RATE GUIDANCE**

**Fiscal Year Ended
December 31,
2016E**

GAAP Tax Rate

30.0%-30.5%

Amortization of intangible assets and inventory purchase accounting adjustment related to acquisitions, charges related to global efficiency initiatives and other items, and acquisition-related adjustments

~(1.0%)

Non-GAAP Tax Rate

29.0%-29.5%

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 TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)⁽¹⁾
(in thousands)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 24,</u>	<u>September 26,</u>	<u>September 24,</u>	<u>September 26,</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Income from continuing operations before income taxes & noncontrolling interest	\$ 53,255	\$ 53,156	\$ 159,195	\$ 145,436
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	12,063	8,598	30,211	19,573
Severance and executive transition costs	4,015	2,421	8,135	5,167
Operating losses (2)	-	1,319	-	2,863
Acquisition related adjustments (3a)	3,179	3,673	18,519	7,820
Acquisition related adjustments (3b)	815	-	815	-
Government billing adjustment and related expenses	505	45	634	336
Site consolidation costs, impairments and other items	5,194	57	7,787	1,415
Write-off (adjustments) of deferred financing costs and fees related to debt refinancing	(462)	(12)	987	721
Reversal of indemnification asset associated with acquisition and corresponding interest (4)	54	-	54	10,411
Gain on bargain purchase (5)	-	(55)	-	(9,933)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	<u>\$ 78,618</u>	<u>\$ 69,202</u>	<u>\$ 226,337</u>	<u>\$ 183,809</u>
Provision for income taxes (GAAP)	\$ 15,565	\$ 15,255	\$ 48,385	\$ 26,662
Tax effect from reversal of uncertain tax position associated with acquisition and corresponding interest (4)	-	-	-	10,411
Tax effect of the remaining non-GAAP adjustments	<u>6,057</u>	<u>4,804</u>	<u>16,306</u>	<u>13,422</u>
Provision for income taxes (Non-GAAP)	\$ 21,622	\$ 20,059	\$ 64,691	\$ 50,495
Total rate (GAAP)	29.2%	28.7%	30.4%	18.3%
Total rate, excluding specified charges (Non-GAAP)	27.5%	29.0%	28.6%	27.5%

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- (2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (3a) 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.
- (3b) The amount represents a \$1.5 million charge recorded in connection with the modification of the option to purchase the remaining 13% equity interest in Vital River, partially offset by a \$0.7 million gain on remeasurement of previously held equity interest in an entity acquired in a step acquisition.
- (4) These amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset primarily related to the acquisition of BioFocus.
- (5) The amounts relate to the acquisition of Sunrise Farms, Inc. and represents the excess of the estimated fair value of the net assets acquired over the purchase price.

**SCHEDULE 3 FROM 2Q16 PRESS RELEASE
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) ⁽¹⁾**
(in thousands, except percentages)

	<u>Three Months Ended</u>	
	<u>June 25, 2016</u>	
Research Models and Services		
Revenue	\$	125,058
Operating income		35,445
Operating income as a % of revenue		28.3%
Add back:		
Amortization of intangible assets related to acquisitions		596
Government billing adjustment and related expenses		69
Site consolidation costs, impairments and other items		69
Total non-GAAP adjustments to operating income	\$	<u>734</u>
Operating income, excluding non-GAAP adjustments	\$	36,179
Non-GAAP operating income as a % of revenue		28.9%
Depreciation and amortization	\$	5,118
Capital expenditures	\$	2,381
Discovery and Safety Assessment		
Revenue	\$	221,059
Operating income		32,381
Operating income as a % of revenue		14.6%
Add back:		
Amortization of intangible assets related to acquisitions		7,390
Severance		4,099
Acquisition related adjustments (2)		2,838
Site consolidation costs, impairments and other items		121
Total non-GAAP adjustments to operating income	\$	<u>14,448</u>
Operating income, excluding non-GAAP adjustments	\$	46,829
Non-GAAP operating income as a % of revenue		21.2%
Depreciation and amortization	\$	18,600
Capital expenditures	\$	4,644
Manufacturing Support		
Revenue	\$	87,938
Operating income		27,121
Operating income as a % of revenue		30.8%
Add back:		
Amortization of intangible assets and inventory step-up related to acquisitions		3,475
Acquisition related adjustments (2)		490
Site consolidation costs, impairments and other items		72
Total non-GAAP adjustments to operating income	\$	<u>4,037</u>
Operating income, excluding non-GAAP adjustments	\$	31,158
Non-GAAP operating income as a % of revenue		35.4%
Depreciation and amortization	\$	6,525
Capital expenditures	\$	4,256

CONTINUED ON NEXT SLIDE

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 3 FROM 2Q16 PRESS RELEASE
 RECONCILIATION OF GAAP TO NON-GAAP
 SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) ⁽¹⁾
 (in thousands, except percentages)

	<u>Three Months Ended</u>	
	<u>June 25, 2016</u>	
CONTINUED FROM PREVIOUS SLIDE		
Unallocated Corporate Overhead	\$	(36,886)
Add back:		
Acquisition related adjustments (2)		<u>7,260</u>
Total non-GAAP adjustments to operating expense	\$	<u>7,260</u>
Unallocated corporate overhead, excluding non-GAAP adjustments	\$	(29,626)
Revenue	\$	434,055
Operating income		58,061
Operating income as a % of revenue		13.4%
Add back:		
Amortization of intangible assets and inventory step-up related to acquisitions		11,461
Severance and executive transition costs		4,099
Acquisition related adjustments (2)		10,588
Government billing adjustment and related expenses		69
Site consolidation costs, impairments and other items		<u>262</u>
Total non-GAAP adjustments to operating income	\$	<u>26,479</u>
Operating income, excluding non-GAAP adjustments	\$	84,540
Non-GAAP operating income as a % of revenue		19.5%
Depreciation and amortization	\$	32,353
Capital expenditures	\$	11,791

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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.

SCHEDULE 4 FROM 2Q16 PRESS RELEASE
RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)⁽¹⁾
 (in thousands, except per share data)

	<u>Three Months Ended</u>	
	<u>June 25, 2016</u>	
Net income attributable to common shareholders	\$	35,207
Less: Income (loss) from discontinued operations, net of income taxes		(12)
Net income from continuing operations attributable to common shareholders		35,195
Add back:		
Non-GAAP adjustments to operating income (Refer to Schedule 3 from 2Q16 Press Release)		26,479
Write-off of deferred financing costs and fees related to debt financing		1,449
Tax effect of non-GAAP adjustments:		
Tax effect of the remaining non-GAAP adjustments		(5,767)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	\$	<u>57,356</u>
Weighted average shares outstanding - Basic		47,061
Effect of dilutive securities:		
Stock options, restricted stock units, performance share units and restricted stock		858
Weighted average shares outstanding - Diluted		<u>47,919</u>
Basic earnings per share from continuing operations	\$	0.75
Diluted earnings per share from continuing operations	\$	0.73
Basic earnings per share from continuing operations, excluding non-GAAP adjustments	\$	1.22
Diluted earnings per share from continuing operations, excluding non-GAAP adjustments	\$	1.20

- (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.

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>June 25, 2016</u>
Income from continuing operations before income taxes & noncontrolling interest	\$ 54,390
Add back:	
Amortization of intangible assets and inventory step-up related to acquisitions	11,461
Severance and executive transition costs	4,099
Acquisition related adjustments (2)	10,588
Government billing adjustment and related expenses	69
Site consolidation costs, impairments and other items	262
Write-off of deferred financing costs and fees related to debt refinancing	1,449
	82,318
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	\$ <u><u>82,318</u></u>
Provision for income taxes (GAAP)	\$ 18,845
Tax effect from reversal of uncertain tax position associated with acquisition and corresponding interest (4)	-
Tax effect of the remaining non-GAAP adjustments	5,767
	24,612
Provision for income taxes (Non-GAAP)	\$ 24,612
Total rate (GAAP)	34.6%
Total rate, excluding specified charges (Non-GAAP)	29.9%

- (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.



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