



# Charles River Laboratories 2018 Meeting with Management Regulation G Financial Reconciliations

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August 14, 2018

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)<sup>(1)(2)</sup>

(in thousands, except percentages)

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
<b>Research Models and Services</b>				
Revenue	\$ 130,426	\$ 124,002	\$ 264,384	\$ 251,163
Operating income	34,245	33,594	72,772	71,284
Operating income as a % of revenue	26.3 %	27.1 %	27.5 %	28.4 %
Add back:				
Amortization related to acquisitions	408	369	817	805
Severance	220	—	743	—
Government billing adjustment and related expenses	—	57	—	150
Site consolidation costs, impairments and other items	69	—	584	—
Total non-GAAP adjustments to operating income	\$ 697	\$ 426	\$ 2,144	\$ 955
Operating income, excluding non-GAAP adjustments	\$ 34,942	\$ 34,020	\$ 74,916	\$ 72,239
Non-GAAP operating income as a % of revenue	26.8 %	27.4 %	28.3 %	28.8 %
Depreciation and amortization	\$ 4,901	\$ 4,945	\$ 9,754	\$ 10,037
Capital expenditures	\$ 5,314	\$ 4,404	\$ 9,939	\$ 7,007
<b>Discovery and Safety Assessment</b>				
Revenue	\$ 346,416	\$ 252,092	\$ 606,408	\$ 479,850
Operating income	56,623	51,335	97,482	89,670
Operating income as a % of revenue	16.3 %	20.4 %	16.1 %	18.7 %
Add back:				
Amortization related to acquisitions	16,051	6,905	23,592	14,505
Severance	1,197	76	943	272
Acquisition related adjustments <sup>(3)</sup>	767	824	1,197	1,527
Site consolidation costs, impairments and other items	—	150	(143)	559
Total non-GAAP adjustments to operating income	\$ 18,015	\$ 7,955	\$ 25,589	\$ 16,863
Operating income, excluding non-GAAP adjustments	\$ 74,638	\$ 59,290	\$ 123,071	\$ 106,533
Non-GAAP operating income as a % of revenue	21.5 %	23.5 %	20.3 %	22.2 %
Depreciation and amortization	\$ 31,043	\$ 18,965	\$ 51,830	\$ 38,334
Capital expenditures	\$ 10,894	\$ 7,102	\$ 23,696	\$ 15,425
<b>Manufacturing Support</b>				
Revenue	\$ 108,459	\$ 93,035	\$ 208,479	\$ 183,879
Operating income	34,115	29,043	62,638	55,643
Operating income as a % of revenue	31.5 %	31.2 %	30.0 %	30.3 %
Add back:				
Amortization related to acquisitions	2,281	2,544	4,599	5,246
Severance	—	247	870	1,068
Acquisition related adjustments <sup>(3)</sup>	15	—	15	26
Site consolidation costs, impairments and other items	—	—	159	—
Total non-GAAP adjustments to operating income	\$ 2,296	\$ 2,791	\$ 5,643	\$ 6,340
Operating income, excluding non-GAAP adjustments	\$ 36,411	\$ 31,834	\$ 68,281	\$ 61,983
Non-GAAP operating income as a % of revenue	33.6 %	34.2 %	32.8 %	33.7 %
Depreciation and amortization	\$ 5,868	\$ 5,787	\$ 11,604	\$ 11,749
Capital expenditures	\$ 3,188	\$ 1,939	\$ 10,022	\$ 4,231

CONTINUED ON NEXT SLIDE

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)<sup>(1)(2)</sup>

(in thousands, except percentages)

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
<b>CONTINUED FROM PREVIOUS SLIDE</b>				
<b>Unallocated Corporate Overhead</b>	\$ (48,273)	\$ (32,286)	\$ (88,353)	\$ (65,205)
Add back:				
Severance	659	—	659	—
Acquisition related adjustments <sup>(3)</sup>	11,033	1,192	13,897	1,213
Total non-GAAP adjustments to operating expense	\$ 11,692	\$ 1,192	\$ 14,556	\$ 1,213
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (36,581)	\$ (31,094)	\$ (73,797)	\$ (63,992)
<b>Total</b>				
Revenue	\$ 585,301	\$ 469,129	\$ 1,079,271	\$ 914,892
Operating income	\$ 76,710	\$ 81,686	\$ 144,539	\$ 151,392
Operating income as a % of revenue	13.1 %	17.4 %	13.4 %	16.5 %
Add back:				
Amortization related to acquisitions	18,740	9,818	29,008	20,556
Severance	2,076	323	3,215	1,340
Acquisition related adjustments <sup>(3)</sup>	11,815	2,016	15,109	2,766
Government billing adjustment and related expenses	—	57	—	150
Site consolidation costs, impairments and other items	69	150	600	559
Total non-GAAP adjustments to operating income	\$ 32,700	\$ 12,364	\$ 47,932	\$ 25,371
Operating income, excluding non-GAAP adjustments	\$ 109,410	\$ 94,050	\$ 192,471	\$ 176,763
Non-GAAP operating income as a % of revenue	18.7 %	20.0 %	17.8 %	19.3 %
Depreciation and amortization	\$ 43,396	\$ 31,799	\$ 76,606	\$ 64,210
Capital expenditures	\$ 21,213	\$ 15,997	\$ 48,939	\$ 31,917

- (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) Effective in the first quarter of 2018, the Company adopted new accounting standard ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." Prior-year income statement amounts were recast to reflect the retrospective adoption of the new pension accounting standard.
- (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.**  
**RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)(1)**

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net income attributable to common shareholders	\$ 53,709	\$ 53,952	\$ 106,340	\$ 100,730
Less: Income (loss) from discontinued operations, net of income taxes	1,529	(71)	1,506	(75)
Net income from continuing operations attributable to common shareholders	52,180	54,023	104,834	100,805
Add back:				
Non-GAAP adjustments to operating income	32,700	12,364	47,932	25,371
Write-off of deferred financing costs and fees related to debt refinancing	1,799	—	5,060	—
Gain on divestiture of CDMO business	—	—	—	(10,577)
Tax effect of non-GAAP adjustments:				
Tax effect from divestiture of CDMO business	—	—	—	18,005
Tax effect of the remaining non-GAAP adjustments	(7,341)	(4,035)	(10,992)	(8,699)
Net income from continuing operations attributable to common shareholders,	<u>\$ 79,338</u>	<u>\$ 62,352</u>	<u>\$ 146,834</u>	<u>\$ 124,905</u>
Weighted average shares outstanding - Basic	48,198	47,591	47,992	47,569
Effect of dilutive securities:				
Stock options, restricted stock units, performance share units and restricted	845	751	974	835
Weighted average shares outstanding - Diluted	<u>49,043</u>	<u>48,342</u>	<u>48,966</u>	<u>48,404</u>
Earnings per share from continuing operations attributable to common				
Basic	\$ 1.08	\$ 1.14	\$ 2.18	\$ 2.12
Diluted	\$ 1.06	\$ 1.12	\$ 2.14	\$ 2.08
Basic, excluding non-GAAP adjustments	\$ 1.65	\$ 1.31	\$ 3.06	\$ 2.63
Diluted, excluding non-GAAP adjustments	\$ 1.62	\$ 1.29	\$ 3.00	\$ 2.58

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP REVENUE GROWTH

TO NON-GAAP REVENUE GROWTH, ORGANIC (UNAUDITED) <sup>(1)</sup>

For the three months ended June 30, 2018	Total CRL	RMS	DSA	MS
		Segment	Segment	Segment
Revenue growth, reported	24.8 %	5.2 %	37.4 %	16.6 %
Increase due to foreign exchange	(2.6)%	(3.2)%	(2.0)%	(3.5)%
Contribution from acquisitions <sup>(2)</sup>	(15.1)%	—%	(28.1)%	—%
<b>Non-GAAP revenue growth, organic <sup>(4)</sup></b>	<b>7.1 %</b>	<b>2.0 %</b>	<b>7.3 %</b>	<b>13.1 %</b>

  

For the six months ended June 30, 2018	Total CRL	RMS	DSA	MS
		Segment	Segment	Segment
Revenue growth, reported	18.0 %	5.3 %	26.4 %	13.4 %
Increase due to foreign exchange	(3.7)%	(4.2)%	(2.9)%	(4.7)%
Contribution from acquisitions <sup>(2)</sup>	(8.2)%	—%	(15.7)%	—%
Impact of CDMO divestiture <sup>(3)</sup>	0.2 %	—%	—%	1.1 %
<b>Non-GAAP revenue growth, organic <sup>(4)</sup></b>	<b>6.3 %</b>	<b>1.1 %</b>	<b>7.8 %</b>	<b>9.8 %</b>

(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 completed acquisitions.

(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.

(4) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, the divestiture of the CDMO business, 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 29, 2018E**

<b>2018 GUIDANCE (from continuing operations)</b>	<b>REVISED</b>	<b>PRIOR</b>
Revenue growth, reported	19% - 21%	18% - 20%
Less: Contribution from acquisitions (1)	(10% - 11%)	(9.5% - 10.5%)
Less: Favorable impact of foreign exchange	(~2%)	(~3%)
Revenue growth, organic (2)	7% - 8%	5.7% - 6.7%
GAAP EPS estimate	\$4.30-\$4.45	\$4.22-\$4.37
Amortization of intangible assets (3)	\$1.00-\$1.10	\$1.00-\$1.10
Charges related to global efficiency initiatives (4)	\$0.05	\$0.09
Acquisition-related adjustments (5)	\$0.44	\$0.41
Non-GAAP EPS estimate	\$5.85 - \$6.00	\$5.77 - \$5.92

Footnotes to Guidance Table:

- (1) The contribution from acquisitions reflects only those acquisitions which have been completed.
- (2) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, the divestiture of the CDMO business, and foreign currency translation. Divestiture of the CDMO business did not have a material impact on the revenue growth rate in 2018.
- (3) Amortization of intangible assets includes an estimate of \$0.40-\$0.50 for the impact of the MPI Research acquisition based on the preliminary purchase price allocation.
- (4) These charges relate primarily to the Company's planned efficiency initiatives. These charges primarily include severance and other costs. Other projects in support of 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 primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives, and the write-off of deferred financing costs and fees related to debt financing.

**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>
	<b>June 30, 2018</b>	<b>July 1, 2017</b>	<b>June 30, 2018</b>	<b>July 1, 2017</b>	<b>December 29, 2018E</b>
Net cash provided by operating activities	\$ 123,872	\$ 100,324	\$ 183,923	\$ 134,353	\$380,000-\$390,000
Addback: Tax impact of CDMO divestiture (2)	--	5,800	--	6,500	--
Less: Capital expenditures	<u>(21,213)</u>	<u>(15,997)</u>	<u>(48,939)</u>	<u>(31,917)</u>	<u>(~120,000)</u>
Free cash flow	<u>\$ 102,659</u>	<u>\$ 90,127</u>	<u>\$ 134,984</u>	<u>\$ 108,936</u>	<u>\$260,000-\$270,000</u>

(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) 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.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.  
RECONCILIATION OF GAAP TO NON-GAAP REVENUE GROWTH, ORGANIC (UNAUDITED)  
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE, ACQUISITIONS, CDMO DIVESTITURE,  
GOVERNMENT BILLING ADJUSTMENT, AND 53rd WEEK**

	Twelve Months Ended			
	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014
Revenue growth, reported	10.5%	23.3%	5.1%	11.3%
Impact of foreign exchange	-	1.5%	5.3%	0.1%
Impact of government billing adjustment	-	-	-	(0.1%)
Impact of acquisitions	(6.0%)	(15.8%)	(4.0%)	(6.3%)
Impact of CDMO divestiture	0.8%	-	-	-
Impact of 53rd week	1.4%	(1.3%)	-	-
<b>Non-GAAP revenue growth, organic</b>	<b>6.7%</b>	<b>7.7%</b>	<b>6.5%</b>	<b>5.0%</b>

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 OPERATING INCOME (1)**  
(dollars in thousands)

	<b>Twelve Months Ended</b>			
	<b>December 30, 2017</b>	<b>December 31, 2016</b>	<b>December 26, 2015</b>	<b>December 27, 2014</b>
Revenue	\$ 1,857,601	\$ 1,681,432	\$ 1,363,302	\$ 1,297,662
Add back: Government billing adjustment	—	—	—	—
Non-GAAP revenue	\$ 1,857,601	\$ 1,681,432	\$ 1,363,302	\$ 1,297,662
Operating income	\$ 287,498	\$ 237,419	\$ 206,449	\$ 177,670
Operating income as a % of revenue	15.5 %	14.1 %	15.1 %	13.7 %
Add back:				
Amortization related to acquisitions	41,370	42,746	29,374	25,957
Severance and executive transition costs	3,278	8,472	6,173	7,792
Acquisition-related adjustments <sup>(2)</sup>	6,687	21,887	14,513	6,688
Government billing adjustment and related expenses	150	634	477	848
Operating losses <sup>(3)</sup>	—	—	5,517	2,600
Site consolidation costs, impairments and other items	18,645	11,849	2,240	7,136
Total non-GAAP adjustments to operating income	\$ 70,130	\$ 85,588	\$ 58,294	\$ 51,021
Operating income, excluding non-GAAP adjustments	\$ 357,628	\$ 323,007	\$ 264,743	\$ 228,691
Non-GAAP operating income as a % of revenue	19.3 %	19.2 %	19.4 %	17.6 %

(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,

(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 item includes operating losses related primarily to the Company's DSA facility in Massachusetts.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (1)**  
(dollars in thousands, except for per share data)

	<b>Twelve Months Ended</b>			
	<b>December 30, 2017</b>	<b>December 31, 2016</b>	<b>December 26, 2015</b>	<b>December 27, 2014</b>
Net income attributable to common shareholders	\$ 123,355	\$ 154,765	\$ 149,313	\$ 126,698
Less: Income (loss) from discontinued operations, net of income taxes	(137)	280	(950)	1,726
Net income from continuing operations attributable to common shareholders	123,492	154,485	150,263	128,424
Add back:				
Amortization related to acquisitions	41,370	42,746	29,374	25,957
Severance and executive transition costs	3,278	8,472	6,173	7,792
Operating losses <sup>(2)</sup>	—	—	5,517	2,600
Acquisition-related adjustments <sup>(3)</sup>	6,687	22,702	14,513	6,688
Government billing adjustment and related expenses	150	634	477	848
Site consolidation costs, impairments and other items	18,645	11,849	2,240	7,136
Gain on divestiture of CDMO business	(10,577)	—	—	—
Write-off of deferred financing costs and fees related to debt financing	—	987	721	—
Reversal of an indemnification asset associated with acquisition and corresponding interest <sup>(4)</sup>	—	54	10,411	—
Gain on bargain purchase <sup>(5)</sup>	(277)	15	(9,837)	—
Debt forgiveness associated with a prior acquisition <sup>(6)</sup>	(1,863)	—	—	—
Tax effect of non-GAAP adjustments:				
Tax effect from U.S. Tax Reform <sup>(7)</sup>	78,537	—	—	—
Tax effect from divestiture of CDMO business	17,705	—	—	—
Reversal of uncertain tax position associated with acquisition and corresponding interest <sup>(4)</sup>	—	—	(10,411)	—
Tax effect of the remaining non-GAAP adjustments	(21,184)	(23,025)	(20,106)	(14,987)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 255,963</u>	<u>\$ 218,919</u>	<u>\$ 179,335</u>	<u>\$ 164,458</u>
Weighted average shares outstanding - Basic	47,481	47,014	46,496	46,627
Effect of dilutive securities: Stock options, restricted stock units, performance stock units, and contingently issued restricted stock	1,083	944	1,138	931
Weighted average shares outstanding - Diluted	<u>48,564</u>	<u>47,958</u>	<u>47,634</u>	<u>47,558</u>
Earnings per share from continuing operations attributable to common shareholders				
Basic	\$ 2.60	\$ 3.28	\$ 3.23	\$ 2.76
Diluted	\$ 2.54	\$ 3.22	\$ 3.15	\$ 2.70
Basic, excluding non-GAAP adjustments	\$ 5.39	\$ 4.66	\$ 3.86	\$ 3.53
Diluted, excluding non-GAAP adjustments	\$ 5.27	\$ 4.56	\$ 3.76	\$ 3.46

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(2) This item includes operating losses related primarily to the Company's DSA facility in Massachusetts.

(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. In fiscal year 2016, the amount also includes 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) These 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.

(6) The amount represents the forgiveness of a liability related to the acquisition of Vital River.

(7) The amount for fiscal year 2017 includes a \$78.5 million estimate for the impact of the enactment of U.S. Tax Reform legislation. The estimated impact of U.S. Tax Reform consists of the one-time transition tax on unrepatriated earnings (also known as the toll tax), withholding and state taxes related to the Company's withdrawal of its indefinite reinvestment assertion regarding unremitted earnings, and the revaluation of U.S. federal net deferred tax liabilities. The final impact of U.S. Tax Reform may differ from these estimates, due to, among other things, changes in interpretations, analysis, and assumptions made by the Company, additional guidance that may be issued by regulatory agencies, and any updated or changes to estimates the Company utilized to calculate the transition tax impact.

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

	<u>Twelve Months Ended</u>			
	<b>December 30, 2017</b>	<b>December 31, 2016<sup>(3)</sup></b>	<b>December 26, 2015<sup>(3)</sup></b>	<b>December 27, 2014<sup>(3)</sup></b>
Net cash provided by operating activities	\$ 318,074	\$ 316,899	\$ 306,833	\$ 266,801
Add back: Tax impact of CDMO divestiture <sup>(2)</sup>	6,500	-	-	-
Less: Capital expenditures	(82,431)	(55,288)	(63,252)	(56,925)
Free cash flow	<u>\$ 242,143</u>	<u>\$ 261,611</u>	<u>\$ 243,581</u>	<u>\$ 209,876</u>

(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,

(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 <sup>(1)</sup>**  
(Dollars in thousands)

	Twelve Months Ended			
	December 27, 2014	December 26, 2015	December 31, 2016	December 30, 2017
Income from continuing operations before income taxes & noncontrolling interest	\$ 177,595	\$ 195,428	\$ 222,921	\$ 296,955
Add back:				
Amortization of intangible assets related to acquisitions	25,957	29,374	42,746	41,370
Severance related to cost-savings actions	7,792	6,173	8,472	3,278
Government billing adjustment and related expenses	848	477	634	150
Impairment and other items <sup>(2)</sup>	7,109	2,240	11,849	18,645
Operating losses <sup>(3)</sup>	2,627	5,517		
Gain on CDMO divestiture				(10,577)
Costs associated with the evaluation and integration of acquisitions	6,688	14,513	22,702	6,687
Reversal of an indemnification asset associated with acquisition and corresponding interest (4)	-	10,411	54	
Write-off of deferred financing costs and fees related to debt refinancing	-	721	987	(277)
Debt forgiveness associated with a prior acquisition (6)				(1,863)
Gain on bargain purchase (5)		(9,837)	15	
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	<u>\$ 228,616</u>	<u>\$ 255,017</u>	<u>\$ 310,380</u>	<u>\$ 354,368</u>
Provision for income taxes	\$ 47,671	\$ 43,391	\$ 66,835	\$ 171,369
Tax effect from U.S. Tax Reform (7)				(78,537)
Tax effect from CDMO divestiture				(17,705)
Tax effect from reversal of uncertain tax position associated with acquisition and corresponding interest (4)		10,411		
Tax effect on amortization, severance and other charges	14,987	20,106	23,025	21,184
Provision for income taxes (Non-GAAP)	<u>\$ 62,658</u>	<u>\$ 73,908</u>	<u>\$ 89,860</u>	<u>\$ 96,311</u>
Tax rate (GAAP)	26.8%	22.2%	30.0%	57.7%
Tax rate, excluding specified charges (Non-GAAP)	27.4%	29.0%	29.0%	27.2%

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 GROSS/NET LEVERAGE RATIO, INCLUDING GAAP NET INCOME TO ADJUSTED EBITDA (1)**  
(dollars in thousands, except for per share data)

	June 30, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
<b>DEBT (2):</b>						
Total Debt & Capital Leases	\$ 1,827,797	\$ 1,145,104	\$ 1,235,009	\$ 863,031	\$ 777,863	\$ 663,789
Plus: Other adjustments per credit agreement	\$ 2,880	\$ 298	\$ 3,621	\$ 1,370	\$ 2,828	\$ 9,787
Total Indebtedness per credit agreement	\$ 1,830,677	\$ 1,145,402	\$ 1,238,630	\$ 864,401	\$ 780,691	\$ 673,576
Less: Cash and cash equivalents	(192,300)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)
Net Debt	\$ 1,638,377	\$ 981,608	\$ 1,121,004	\$ 746,454	\$ 620,668	\$ 517,649

**Twelve Months Ended**

	June 30, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
<b>ADJUSTED EBITDA (2):</b>						
Net income attributable to common shareholders	\$ 128,964	\$ 123,355	\$ 154,765	\$ 149,313	\$ 126,698	\$ 102,828
Adjustments:						
Less: Aggregate non-cash amount of nonrecurring gains	—	—	(685)	(9,878)	(2,048)	—
Plus: Interest expense	45,225	29,777	27,709	15,072	11,950	20,969
Plus: Provision for income taxes	145,785	171,369	66,835	43,391	46,685	32,142
Plus: Depreciation and amortization	143,555	131,159	126,658	94,881	96,445	96,636
Plus: Non-cash nonrecurring losses	18,107	17,716	6,792	10,427	1,615	4,202
Plus: Non-cash stock-based compensation	46,835	44,003	43,642	40,122	31,035	24,542
Plus: Permitted acquisition-related costs	19,031	6,687	22,653	13,451	6,285	1,752
Plus: Pro forma EBITDA adjustments for permitted acquisitions	51,744	690	18,573	9,199	10,787	—
Adjusted EBITDA (per the calculation defined in compliance certificates)	\$ 599,246	\$ 524,756	\$ 466,942	\$ 365,978	\$ 329,452	\$ 283,071

	June 30, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
<b>LEVERAGE RATIO:</b>						
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	3.05x	2.2x	2.7x	2.4x	2.4x	2.4x
Net leverage ratio (net debt divided by adjusted EBITDA)	2.7x	1.9x	2.4x	2.0x	1.9x	1.8x

(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) Pursuant to the definition in its credit agreement dated March 26, 2018, the Company has defined its pro forma leverage ratio as total debt divided by adjusted EBITDA for the trailing-twelve-month period following the close of, and pro forma for, the acquisition of MPI. Adjusted EBITDA represents net income, prepared in accordance with accounting principles generally accepted in the U.S. (GAAP), adjusted for interest, taxes, depreciation and amortization, and certain items that management believes are not reflective of the operational performance of the business. These adjustments include, but are not limited to, acquisition-related expenses including transaction and advisory costs; asset impairments; changes in fair value of contingent consideration obligations; employee stock compensation; historical EBITDA of companies acquired during the period; and other items identified by the company.

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**NYSE**