

Regulation G Financial Reconciliations

August 11, 2016

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP
CONSOLIDATED OPERATING INCOME (UNAUDITED) ⁽¹⁾
(in thousands, except percentages)

	Six Months Ended	
	June 25, 2016	June 27, 2015
Revenue	\$ 788,923	\$ 659,987
Operating income	109,533	98,740
Operating income as a % of revenue	13.9%	15.0%
Add back:		
Amortization of intangible assets and inventory step-up related to acquisitions	18,148	10,975
Severance and executive transition costs	4,120	2,746
Operating losses (2)	-	1,544
Acquisition related adjustments (3)	15,340	4,147
Government billing adjustment and related expenses	129	291
Site consolidation costs, impairments and other items	2,593	1,358
Total non-GAAP adjustments to operating income	<u>\$ 40,330</u>	<u>\$ 21,061</u>
Operating income, excluding non-GAAP adjustments	\$ 149,863	\$ 119,801
Non-GAAP operating income as a % of revenue	19.0%	18.2%
Depreciation and amortization	\$ 57,008	\$ 45,516
Capital expenditures	\$ 20,041	\$ 24,556

- (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.
RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)⁽¹⁾
(in thousands, except per share data)

	Six Months Ended	
	June 25, 2016	June 27, 2015
Net income attributable to common shareholders	\$ 72,350	\$ 80,050
Less: Income (loss) from discontinued operations, net of income taxes	14	14
Net income from continuing operations attributable to common shareholders	72,364	80,064
Add back:		
Non-GAAP adjustments to operating income (Refer to Operating Income Schedule)	40,330	21,061
Reversal of an indemnification asset associated with acquisition and corresponding interest (2)	-	10,411
Write-off of deferred financing costs and fees related to debt financing	1,449	733
Gain on bargain purchase (3)	-	(9,878)
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	(10,249)	(8,618)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	\$ 103,894	\$ 83,362
Weighted average shares outstanding - Basic	46,852	46,712
Effect of dilutive securities:		
Stock options, restricted stock units, performance share units and restricted stock	939	1,006
Weighted average shares outstanding - Diluted	47,791	47,718
Basic earnings per share from continuing operations	\$ 1.54	\$ 1.71
Diluted earnings per share from continuing operations	\$ 1.51	\$ 1.68
Basic earnings per share from continuing operations, excluding non-GAAP adjustments	\$ 2.22	\$ 1.78
Diluted earnings per share from continuing operations, excluding non-GAAP adjustments	\$ 2.17	\$ 1.75

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- (2) These amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset 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.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP REVENUE GROWTH (UNAUDITED)
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE AND ACQUISITIONS
For the Six Months Ended June 25, 2016

For the six months ended June 25, 2016	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	19.5%	4.1%	29.2%	26.2%
Impact of foreign exchange	(1.0%)	(0.2%)	(1.7%)	(0.8%)
Non-GAAP revenue growth, constant currency	<u>20.5%</u>	<u>4.3%</u>	<u>30.9%</u>	<u>27.0%</u>
Impact of acquisitions	11.8%	-	19.3%	16.6%
Organic revenue growth, constant currency (Non-GAAP)	<u>8.7%</u>	<u>4.3%</u>	<u>11.6%</u>	<u>10.4%</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
Revenue growth, reported	20%-23.5%
Less: Unfavorable impact of foreign exchange	(~1%)
Revenue growth, constant currency	21%-24.5%
Less: Impact of acquisitions	14%-15.5%
Organic revenue growth, constant currency (Non-GAAP)	7%-9%
GAAP EPS estimate (1)	\$3.15-\$3.25
Add back:	
Amortization of intangible assets (2)	\$0.60
Charges related to global efficiency initiatives (3)	\$0.20
Acquisition-related adjustments (4)	\$0.45
Non-GAAP EPS estimate	\$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>Six Months Ended</u>		<u>Fiscal Year Ended</u>
	June 25, 2016	June 27, 2015	December 31, 2016E
Net cash provided by operating activities	\$ 116,517	\$ 97,606	\$315,000-\$325,000
Less: Capital expenditures	<u>(20,041)</u>	<u>(24,556)</u>	Less than (80,000)
Free cash flow	<u>\$ 96,476</u>	<u>\$ 73,050</u>	<u>\$235,000-\$245,000</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 REVENUE GROWTH (UNAUDITED)
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE, ACQUISITIONS, AND 53rd WEEK

	Twelve Months Ended			
	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
Revenue growth, reported	5.1%	11.3%	3.2%	(1.1%)
Impact of foreign exchange	(5.3%)	(0.1%)	(0.8%)	(1.9%)
Impact of government billing adjustment	-	0.1%	(0.2%)	-
Non-GAAP revenue growth, constant currency	10.4%	11.3%	4.2%	0.8%
Impact of acquisitions	4.0%	6.3%	2.6%	0.4%
Impact of 53rd week	-	-	-	(1.1%)
Organic revenue growth, constant currency (Non-GAAP)	6.5%	5.0%	1.6%	1.5%

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 TO NON-GAAP OPERATING INCOME (1)
(dollars in thousands)

	Twelve Months Ended			
	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
Revenue	\$ 1,363,302	\$ 1,297,662	\$ 1,165,528	\$ 1,129,530
Add back: Government billing adjustment	-	-	1,495	-
Non-GAAP revenue	\$ 1,363,302	\$ 1,297,662	\$ 1,167,023	\$ 1,129,530
Operating income	206,449	177,670	151,401	165,765
Operating income as a % of revenue	15.1%	13.7%	13.0%	14.7%
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	29,374	25,957	17,806	18,067
Severance and executive transition costs	6,173	7,792	3,218	2,580
Site consolidation costs, impairments, and other items (2)	2,240	7,136	21,381	3,776
Operating losses (3)	5,517	2,600	3,371	3,641
Acquisition-related adjustments (4)	14,513	6,688	1,752	3,774
Government billing adjustment and related expenses	477	848	2,402	-
Convertible debt accounting (5)	-	-	107	213
Operating income, excluding specified charges (Non-GAAP)	\$ 264,743	\$ 228,691	\$ 201,438	\$ 197,816
Non-GAAP operating income as a % of non-GAAP revenue	19.4%	17.6%	17.3%	17.5%

(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) Reported results in 2015 primarily include site consolidation costs. Reported results in 2014 include: (i) asset impairments and accelerated depreciation related to the consolidation of research model production operations; (ii) charges related to a dispute with a large model supplier; and (iii) a gain related to the sale of a former research model facility in France. Reported results in 2013 include: (i) accelerated depreciation related to the consolidation of research model production operations in California and Biologics Testing Solutions operations; (ii) an impairment charge related to the Company's Shrewsbury, Massachusetts facility; (iii) an adjustment to prior-period accrued compensated absences; and (iv) asset impairments at certain European facilities. Reported results in 2012 include: (i) the impairment of long-lived assets for certain RMS Europe facilities; (ii) the gain on the sale of land for an RMS facility; and (iii) a write-off associated with large model inventory held at a vendor.

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

(4) 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.

(5) Reported results in 2013 and 2012 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased depreciation expense.

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

	Twelve Months Ended			
	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
Net income attributable to common shareholders	\$ 149,313	\$ 126,698	\$ 102,828	\$ 97,295
Less: Discontinued operations	950	1,726	1,265	4,252
Net income from continuing operations attributable to common shareholders	<u>150,263</u>	<u>128,424</u>	<u>104,093</u>	<u>101,547</u>
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	29,374	25,957	17,806	18,067
Severance and executive transition costs	6,173	7,792	3,218	2,580
Site consolidation costs, impairments, and other items (2)	2,240	7,136	21,381	3,963
Operating losses (3)	5,517	2,600	3,371	3,738
Acquisition-related adjustments (4)	14,513	6,688	1,752	3,774
Government billing adjustment and related expenses	477	848	2,402	-
Reversal of an indemnification asset associated with acquisition and corresponding interest (5)	10,411	-	-	-
Write-off of deferred financing costs and fees related to debt refinancing	721	-	645	-
Gain on bargain purchase (6)	(9,837)	-	-	-
Loss on sale of auction rate securities	-	-	-	712
Convertible debt accounting (7)	-	-	6,710	14,741
Tax effect of non-GAAP adjustments:				
Reversal of uncertain tax position associated with acquisition and corresponding interest (5)	(10,411)	-	-	-
Tax effect of the remaining non-GAAP adjustments and certain other tax items	<u>(20,106)</u>	<u>(14,987)</u>	<u>(19,126)</u>	<u>(16,604)</u>
Net income from continuing operations attributable to common shareholders, excluding specified charges (Non-GAAP)	<u>\$ 179,335</u>	<u>\$ 164,458</u>	<u>\$ 142,252</u>	<u>\$ 132,518</u>
Weighted average shares outstanding - Basic	46,496	46,627	47,740	47,912
Effect of dilutive securities:				
Stock options, restricted stock units, performance stock units, and contingently issued restricted stock	<u>1,138</u>	<u>931</u>	<u>749</u>	<u>494</u>
Weighted average shares outstanding - Diluted	<u>47,634</u>	<u>47,558</u>	<u>48,489</u>	<u>48,406</u>
Basic earnings per share from continuing operations	\$ 3.23	\$ 2.76	\$ 2.18	\$ 2.12
Diluted earnings per share from continuing operations	\$ 3.15	\$ 2.70	\$ 2.15	\$ 2.10
Basic earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 3.86	\$ 3.53	\$ 2.98	\$ 2.77
Diluted earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 3.76	\$ 3.46	\$ 2.93	\$ 2.74

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

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

(6) The amount relates to the acquisition of Sunrise Farms, Inc. and represents the excess of the estimated fair value of the net assets acquired over the preliminary purchase price.

(7) Reported results in 2013 and 2012 include the impact of convertible debt accounting adopted at the beginning of 2009.

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

	Twelve Months Ended			
	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
Net cash provided by operating activities	\$ 288,234	\$ 252,132	\$ 209,045	\$ 208,006
Less: Capital expenditures	(63,252)	(56,925)	(39,154)	(47,534)
Free cash flow	<u>\$ 224,982</u>	<u>\$ 195,207</u>	<u>\$ 169,891</u>	<u>\$ 160,472</u>

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