

4Q13 & FY13 Results and 2014 Guidance Regulation G Financial Reconciliations and Appendix

Charles River Laboratories International, Inc.
February 11, 2014

RMS Sales Detail – 4Q13

| (\$ in millions) | 4Q13 | 4Q12 | YOY Δ | FX% | Ex-FX Δ |
|-------------------------|--------|--------|--------------|--------|----------------|
| Models ⁽¹⁾ | \$86.6 | \$88.2 | (1.9%) | (1.7%) | (0.2%) |
| Services ⁽²⁾ | \$56.0 | \$56.4 | (0.8%) | (0.4%) | (0.4%) |
| EMD | \$29.7 | \$27.2 | 9.2% | 1.7% | 7.5% |

(1) Includes small models, large models and Avian Vaccine.

(2) Includes DRS, GEMS, RADS and IS

RMS Sales Detail – FY 2013

| (\$ in millions) | FY13** | FY12 | YOY Δ | FX% | Ex-FX Δ |
|-------------------------|---------|---------|--------|--------|---------|
| Models ⁽¹⁾ | \$383.1 | \$381.8 | 0.3% | (2.0%) | (2.3%) |
| Services ⁽²⁾ | \$212.6 | \$219.7 | (3.2%) | (0.7%) | (2.5%) |
| EMD | \$112.9 | \$93.6 | 20.6% | 1.3% | 19.3% |

(1) Includes small models, large models and Avian Vaccine.

(2) Includes DRS, GEMS, RADS and IS

** Non-GAAP sales.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) (1)
(dollars in thousands)

| | <u>Three Months Ended</u> | | <u>Twelve Months Ended</u> | |
|---|---------------------------|----------------------|----------------------------|----------------------|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| Research Models and Services | | | | |
| Net sales | \$ 172,259 | \$ 171,836 | \$ 707,126 | \$ 695,083 |
| Add back government billing adjustment | - | - | 1,495 | - |
| Non-GAAP net sales | \$ 172,259 | \$ 171,836 | \$ 708,621 | \$ 695,083 |
| Operating income | 36,128 | 43,964 | 181,321 | 202,362 |
| Operating income as a % of net sales | 21.0% | 25.6% | 25.6% | 29.1% |
| Add back: | | | | |
| Amortization of intangible assets related to acquisitions | 2,660 | 1,870 | 8,824 | 6,412 |
| Severance related to cost-savings actions | 1,244 | 138 | 2,054 | 1,072 |
| Government billing adjustment and related expenses | 226 | - | 2,402 | - |
| Impairment and other items (2) | 6,445 | 883 | 13,683 | 3,810 |
| Operating losses (3) | 15 | - | 270 | - |
| Operating income, excluding specified items (Non-GAAP) | \$ 46,718 | \$ 46,855 | \$ 208,554 | \$ 213,656 |
| Non-GAAP operating income as a % of net sales | 27.1% | 27.3% | 29.5% | 30.7% |
| Preclinical Services | | | | |
| Net sales | \$ 116,969 | \$ 108,304 | \$ 458,402 | \$ 434,447 |
| Operating income | 6,425 | 8,670 | 44,056 | 34,628 |
| Operating income as a % of net sales | 5.5% | 8.0% | 9.6% | 8.0% |
| Add back: | | | | |
| Amortization of intangible assets related to acquisitions | 2,255 | 2,763 | 8,982 | 11,655 |
| Severance related to cost-savings actions | 917 | 560 | 1,164 | 1,508 |
| Impairment and other items (2) | 7,698 | 199 | 7,698 | (34) |
| Operating losses (3) | 628 | 941 | 3,101 | 3,641 |
| Operating income, excluding specified items (Non-GAAP) | \$ 17,923 | \$ 13,133 | \$ 65,001 | \$ 51,398 |
| Non-GAAP operating income as a % of net sales | 15.3% | 12.1% | 14.2% | 11.8% |
| Unallocated Corporate Overhead | | | | |
| Unallocated corporate costs, excluding specified items (Non-GAAP) | \$ (17,946) | \$ (17,565) | \$ (73,976) | \$ (71,225) |
| Add back: | | | | |
| Costs associated with the evaluation of acquisitions | 766 | 2,140 | 1,752 | 3,774 |
| Convertible debt accounting | - | 53 | 107 | 213 |
| Unallocated corp. costs, excluding specified items (Non-GAAP) | \$ (17,180) | \$ (15,372) | \$ (72,117) | \$ (67,238) |
| Total | | | | |
| Net sales | \$ 289,228 | \$ 280,140 | \$ 1,165,528 | \$ 1,129,530 |
| Add back government billing adjustment | - | - | 1,495 | - |
| Non-GAAP net sales | \$ 289,228 | \$ 280,140 | \$ 1,167,023 | \$ 1,129,530 |
| Operating income | 24,607 | 35,069 | 151,401 | 165,765 |
| Operating income as a % of net sales | 8.5% | 12.5% | 13.0% | 14.7% |
| Add back: | | | | |
| Amortization of intangible assets related to acquisitions | 4,915 | 4,633 | 17,806 | 18,067 |
| Severance related to cost-savings actions | 2,161 | 698 | 3,218 | 2,580 |
| Government billing adjustment and related expenses | 226 | - | 2,402 | - |
| Impairment and other items (2) | 14,143 | 1,082 | 21,381 | 3,776 |
| Operating losses (3) | 643 | 941 | 3,371 | 3,641 |
| Costs associated with the evaluation of acquisitions | 766 | 2,140 | 1,752 | 3,774 |
| Convertible debt accounting | - | 53 | 107 | 213 |
| Operating income, excluding specified items (Non-GAAP) | \$ 47,461 | \$ 44,616 | \$ 201,438 | \$ 197,816 |
| Non-GAAP operating income as a % of net sales | 16.4% | 15.9% | 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 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 GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

(2) For the year ended December 28, 2013, impairment and other items includes: (i) accelerated depreciation of \$13.5 million and \$1.9 million related to the consolidation of research model production operations in California and our BPS operations, respectively; (ii) an impairment charge of \$3.8 million related to our PCS Massachusetts facility; (iii) an adjustment to prior-period accrued compensated absences of \$1.6 million; and (iv) \$0.6 million for the impairment of assets at certain European facilities. For the year ended December 29, 2012, impairment and other items includes: (i) an impairment charge of \$3.5 million for long-lived assets at certain RMS Europe facilities; (ii) \$0.6 million for the gain on the sale of land at an RMS facility; and (iii) \$0.9 million for the write-off of large model inventory held at a vendor.

(3) Includes operating losses related primarily to the Company's PCS-Massachusetts facility.

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

| | <u>Three Months Ended</u> | | <u>Twelve Months Ended</u> | |
|---|---------------------------|----------------------|----------------------------|----------------------|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| Net income attributable to common shareholders | \$ 19,099 | \$ 18,416 | \$ 102,828 | \$ 97,295 |
| Less: Discontinued operations | <u>82</u> | <u>4,189</u> | <u>1,265</u> | <u>4,252</u> |
| Net income from continuing operations | 19,181 | 22,605 | 104,093 | 101,547 |
| Add back: | | | | |
| Amortization of intangible assets related to acquisitions | 4,915 | 4,633 | 17,806 | 18,067 |
| Severance related to cost-savings actions | 2,161 | 698 | 3,218 | 2,580 |
| Impairment and other items (2) | 14,143 | 1,075 | 21,381 | 3,963 |
| Operating losses (3) | 643 | 694 | 3,371 | 3,738 |
| Costs associated with the evaluation of acquisitions | 766 | 2,140 | 1,752 | 3,774 |
| Government billing adjustment and related expenses | 226 | - | 2,402 | - |
| Writeoff of deferred financing costs and fees related to debt refinancing | - | - | 645 | - |
| Loss on sale of auction rate securities | - | - | - | 712 |
| Convertible debt accounting, net (4) | - | 3,813 | 6,710 | 14,741 |
| Tax effect of items above | <u>(6,919)</u> | <u>(4,618)</u> | <u>(19,126)</u> | <u>(16,604)</u> |
| Net income, excluding specified charges (Non-GAAP) | <u>\$ 35,116</u> | <u>\$ 31,040</u> | <u>\$ 142,252</u> | <u>\$ 132,518</u> |
| Weighted average shares outstanding - Basic | 47,150,688 | 47,562,614 | 47,740,167 | 47,912,135 |
| Effect of dilutive securities: | | | | |
| Stock options and contingently issued restricted stock | <u>984,304</u> | <u>694,583</u> | <u>749,155</u> | <u>494,185</u> |
| Weighted average shares outstanding - Diluted | <u>48,134,992</u> | <u>48,257,197</u> | <u>48,489,322</u> | <u>48,406,320</u> |
| Basic earnings per share | \$ 0.41 | \$ 0.39 | \$ 2.15 | \$ 2.03 |
| Diluted earnings per share | \$ 0.40 | \$ 0.38 | \$ 2.12 | \$ 2.01 |
| Basic earnings per share, excluding specified charges (Non-GAAP) | \$ 0.74 | \$ 0.65 | \$ 2.98 | \$ 2.77 |
| Diluted earnings per share, excluding specified charges (Non-GAAP) | \$ 0.73 | \$ 0.64 | \$ 2.93 | \$ 2.74 |

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- (2) For the year ended December 28, 2013, impairment and other items includes: (i) accelerated depreciation of \$13.5 million and \$1.9 million related to the consolidation of research model production operations in California and our BPS operations, respectively; (ii) an impairment charge of \$3.8 million related to our PCS Massachusetts facility; (iii) an adjustment to prior-period accrued compensated absences of \$1.6 million; and (iv) \$0.6 million for the impairment of assets at certain European facilities. For the year ended December 29, 2012, impairment and other items includes: (i) an impairment charge of \$3.5 million for long-lived assets at certain RMS Europe facilities; (ii) \$0.6 million for the gain on the sale of land at an RMS facility; and (iii) \$0.9 million for the write-off of large model inventory held at a vendor.
- (3) Includes operating losses related primarily to the Company's PCS-Massachusetts facility.
- (4) The year ended December 28, 2013 includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$6,603 and depreciation expense by \$107, respectively. The three and twelve months ended December 29, 2012 include increased interest expense of \$3,760 and \$14,528 and increased depreciation expense of \$53 and \$213, respectively.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP NET SALES GROWTH (YEAR-OVER-YEAR)
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE AND GOVERNMENT BILLING ADJUSTMENT
For the Three and Twelve Months Ended December 28, 2013

| For the three months ended December 28, 2013: | <u>Total CRL</u> | <u>RMS Segment</u> | <u>PCS Segment</u> |
|---|-------------------------|---------------------------|---------------------------|
| Net sales growth, reported | 3.2% | 0.2% | 8.0% |
| Impact of foreign exchange | (0.5%) | (0.8%) | (0.2%) |
| Non-GAAP net sales growth, constant currency | <u>3.7%</u> | <u>1.0%</u> | <u>8.2%</u> |
| | | | |
| For the twelve months ended December 28, 2013: | <u>Total CRL</u> | <u>RMS Segment</u> | <u>PCS Segment</u> |
| Net sales growth, reported | 3.2% | 1.7% | 5.5% |
| Impact of foreign exchange | (0.8%) | (1.2%) | (0.4%) |
| Impact of government billing adjustment | (0.2%) | (0.2%) | 0.0% |
| Non-GAAP net sales growth, constant currency | <u>4.2%</u> | <u>3.1%</u> | <u>5.9%</u> |

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP EARNINGS PER SHARE (EPS)
Guidance for the Twelve Months Ended December 27, 2014E

| | <u>2014E Guidance</u> |
|---|--------------------------------------|
| GAAP EPS Estimate | \$2.68 - \$2.78 |
| Add back: | |
| Amortization of intangible assets | \$0.22 |
| Operating losses (1) | \$0.04 |
| Charges related to global efficiency initiative (2) | \$0.05-\$0.07 |
| Non-GAAP EPS Estimate | <u><u>\$3.00 - \$3.10</u></u> |

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(1) These costs relate primarily to the Company's PCS facility in Massachusetts.

(2) These charges are related to the consolidation of a research model production operation in North America. Other projects in support of the global efficiency initiative are expected in 2014, but at this time, no specific decisions have been made. Accordingly, our current guidance does not include a quantification of potential future charges.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP NET INTEREST EXPENSE AND OTHER EXPENSE/(INCOME)

(dollars in thousands)

| | Three Months Ended | | Twelve Months Ended | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| GAAP Interest Expense, net | \$ 2,572 | \$ 8,180 | \$ 20,239 | \$ 32,753 |
| Exclude: | | | | |
| Convertible debt accounting, net | - | (3,760) | (6,603) | (14,528) |
| Writeoff of deferred financing costs and fees related to debt refinancing | - | - | (645) | - |
| Non-GAAP Interest Expense, net | <u>\$ 2,572</u> | <u>\$ 4,420</u> | <u>\$ 12,991</u> | <u>\$ 18,225</u> |

| | Three Months Ended | | Twelve Months Ended | |
|---------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| GAAP Other Expense/(Income) | \$ (1,071) | \$ 684 | \$ (7,165) | \$ 3,266 |
| Exclude: | | | | |
| Loss on auction rate securities | - | - | - | (712) |
| Impairment and other items, net | - | - | - | (194) |
| Adjustment related to PCS China | - | 254 | - | (89) |
| Non-GAAP Other Expense/(Income) | <u>\$ (1,071)</u> | <u>\$ 938</u> | <u>\$ (7,165)</u> | <u>\$ 2,271</u> |

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

| | <u>Three Months Ended</u> | | <u>Twelve Months Ended</u> | |
|--|---------------------------|----------------------|----------------------------|----------------------|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| Income from continuing operations before income taxes & noncontrolling interest | \$ 23,106 | \$ 26,205 | \$ 138,327 | \$ 129,746 |
| Add back: | | | | |
| Amortization of intangible assets related to acquisitions | 4,915 | 4,633 | 17,806 | 18,067 |
| Severance related to cost-savings actions | 2,161 | 698 | 3,218 | 2,580 |
| Impairment and other items (2) | 14,143 | 1,075 | 21,381 | 3,963 |
| Operating losses (3) | 643 | 694 | 3,371 | 3,738 |
| Costs associated with the evaluation of acquisitions | 766 | 2,140 | 1,752 | 3,774 |
| Government billing adjustment and related expenses | 226 | - | 2,402 | - |
| Writeoff of deferred financing costs and fees related to debt refinancing | - | - | 645 | - |
| Loss on sale of auction rate securities | - | - | - | 712 |
| Convertible debt accounting, net (4) | - | 3,813 | 6,710 | 14,741 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP) | \$ 45,960 | \$ 39,258 | \$ 195,612 | \$ 177,321 |
| Provision for income taxes | \$ 3,580 | \$ 3,488 | \$ 32,911 | \$ 27,628 |
| Tax effect on amortization, severance and other charges | 6,919 | 4,618 | 19,126 | 16,604 |
| Provision for income taxes (Non-GAAP) | \$ 10,499 | \$ 8,106 | \$ 52,037 | \$ 44,232 |
| Tax rate (GAAP) | 15.5% | 13.3% | 23.8% | 21.3% |
| Tax rate, excluding specified charges (Non-GAAP) | 22.8% | 20.6% | 26.6% | 24.9% |

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- (3) Includes operating losses related primarily to the Company's PCS-Massachusetts facility.
- (4) The year ended December 28, 2013 includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$6,603 and depreciation expense by \$107, respectively. The three and twelve months ended December 29, 2012 include increased interest expense of \$3,760 and \$14,528 and increased depreciation expense of \$53 and \$213, respectively.

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

| | <u>Fiscal Year Ended</u> December 27, 2014E |
|--|--|
| GAAP Tax Rate | 27.5%-28.5% |
| Amortization of intangible assets, operating losses primarily related to PCS Massachusetts, and charges related to global efficiency initiative | ~1.0% |
| Non-GAAP Tax Rate | <hr/> 28.5%-29.5% <hr/> |

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

| | <u>Three Months Ended</u> | | <u>Twelve Months Ended</u> | | <u>Fiscal Year Ended</u> |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| | <u>December 28,</u> <u>2013</u> | <u>December 29,</u> <u>2012</u> | <u>December 28,</u> <u>2013</u> | <u>December 29,</u> <u>2012</u> | <u>December 27,</u> <u>2014E</u> |
| Net cash provided by operating activities | \$ 62,495 | \$ 64,327 | \$ 209,045 | \$ 208,006 | \$230,000-\$240,000 |
| Less: Capital expenditures | (13,835) | (13,739) | (39,154) | (47,534) | (50,000)-(60,000) |
| Free cash flow | <u>\$ 48,660</u> | <u>\$ 50,588</u> | <u>\$ 169,891</u> | <u>\$ 160,472</u> | <u>\$175,000-\$185,000</u> |

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NON-GAAP RECONCILIATION OF LEVERAGE RATIO (TOTAL DEBT-TO-EBITDA LEVERAGE RATIO)
(dollars in thousands)

| | |
|--|-------------------------|
| <u>Total Debt</u> | <u>Dec. 28, 2013</u> |
| Long-term debt | \$641,808 |
| Add: Current portion of long-term debt | 21,241 |
| Total Debt | <u>\$663,049</u> |

| | |
|---|--------------------------|
| | <u>Fiscal Year ended</u> |
| | <u>Dec. 28, 2013</u> |
| <u>Non-GAAP EBITDA for Fiscal Year ended December 28, 2013</u> | |
| Net income attributable to common shareowners | \$ 102,828 |
| Income from discontinued operations | 1,265 |
| Non-controlling interests | 1,323 |
| Provision for income taxes | 32,911 |
| Interest expense, net | 20,239 |
| Other expense (income) | (7,165) |
| Depreciation and amortization | 96,636 |
| Non-GAAP items: | |
| Severance related to cost-savings actions | 3,218 |
| Impairment and other items (less accelerated depreciation) | 5,986 |
| Operating losses primarily related to PCS Massachusetts | 3,371 |
| Costs associated with the evaluation of acquisitions | 1,752 |
| Government billing adjustment and related expenses | 2,402 |
| Non-GAAP EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization) | <u>\$ 264,766</u> |

| | |
|--|---------------|
| TOTAL DEBT-TO-EBITDA RATIO (= Total Debt ÷ Non-GAAP EBITDA) | 2.50 x |
|--|---------------|

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF FREE CASH FLOW PER SHARE AND RETURN (NON-GAAP)
(dollars in thousands, except per share amounts)

| | Fiscal Year Ended | |
|---|------------------------------|------------------------------|
| | December 28, 2013 | December 29, 2012 |
| <u>Free Cash Flow Reconciliation</u> | | |
| Net cash provided by operating activities | \$ 209,045 | \$ 208,006 |
| Less: Capital expenditures | (39,154) | (47,534) |
| Free cash flow | \$ 169,891 | \$ 160,472 |
| | | |
| <u>Free Cash Flow Per Share Calculation</u> | | |
| Diluted shares outstanding - average (in thousands) | 48,489 | 48,406 |
| Free Cash Flow Per Share | \$ 3.50 | \$ 3.32 |
| <i>(calculated as Free Cash Flow divided by Diluted Shares Outstanding)</i> | | |
| | | |
| <u>FCF/Invested Capital Return Reconciliation</u> | | |
| Invested Capital - Year-end | 1,310,993 | 1,274,212 |
| Invested Capital - 12-month average | 1,297,982 | 1,271,856 |
| <i>(calculated as Total Debt plus Total Shareowners' Equity)</i> | | |
| FCF/Invested Capital Return | 13.1% | 12.6% |
| <i>(calculated as Free Cash Flow divided by Invested Capital -12-month average)</i> | | |

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CRL
LISTED
NYSE