

1Q14 Results Regulation G Financial Reconciliations & Appendix

Charles River Laboratories International, Inc.
April 30, 2014

RMS Sales Detail

(\$ in millions)	1Q14	1Q13	YOY Δ	FX%	Ex-FX Δ
Models ⁽¹⁾	\$99.4	\$103.1	(3.7%)	(0.1%)	3.5%*
Services ⁽²⁾	\$53.8	\$52.2	3.1%	0.4%	(2.7%)
EMD	\$32.5	\$27.2	19.3%	1.3%	18.0%

* Does not add due to rounding.

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

(2) Includes DS, GEMS, RADS and IS

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

	Three Months Ended	
	March 29, 2014	March 30, 2013
Research Models and Services		
Revenue	\$ 185,615	\$ 182,489
Operating income	53,540	55,303
Operating income as a % of net sales	28.8%	30.3%
Add back:		
Amortization of intangible assets related to acquisitions	2,439	1,986
Severance related to cost-savings actions	1,716	86
Government billing adjustment and related expenses	67	-
Impairment and other items (2)	980	-
Operating losses (3)	12	158
Operating income, excluding specified items (Non-GAAP)	\$ 58,754	\$ 57,533
Non-GAAP operating income as a % of net sales	31.7%	31.5%
Preclinical Services		
Revenue	\$ 113,753	\$ 108,749
Operating income	12,033	8,060
Operating income as a % of net sales	10.6%	7.4%
Add back:		
Amortization of intangible assets related to acquisitions	1,900	2,262
Severance related to cost-savings actions	63	211
Operating losses (3)	671	948
Operating income, excluding specified items (Non-GAAP)	\$ 14,667	\$ 11,481
Non-GAAP operating income as a % of net sales	12.9%	10.6%
Unallocated Corporate Overhead		
	\$ (25,867)	\$ (20,600)
Add back:		
Severance related to cost-savings actions	121	-
Costs associated with the evaluation and integration of acquisitions	3,305	486
Convertible debt accounting	-	53
Unallocated corp. costs, excluding specified items (Non-GAAP)	\$ (22,441)	\$ (20,061)
Total		
Revenue	\$ 299,368	\$ 291,238
Operating income	39,706	42,763
Operating income as a % of net sales	13.3%	14.7%
Add back:		
Amortization of intangible assets related to acquisitions	4,339	4,248
Severance related to cost-savings actions	1,900	297
Government billing adjustment and related expenses	67	-
Impairment and other items (2)	980	-
Operating losses (3)	683	1,106
Costs associated with the evaluation and integration of acquisitions	3,305	486
Convertible debt accounting	-	53
Operating income, excluding specified items (Non-GAAP)	\$ 50,980	\$ 48,953
Non-GAAP operating income as a % of net sales	17.0%	16.8%

(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 three months ended March 29, 2014, impairment and other items includes \$980 of asset impairments and accelerated depreciation related to our Portage, Michigan research model production facility

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

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> December 28, 2013
Research Models and Services	
Net sales	\$ 172,259
Operating income	36,128
Operating income as a % of net sales	21.0%
Add back:	
Amortization of intangible assets related to acquisitions	2,660
Severance related to cost-savings actions	1,244
Government billing adjustment and related expenses	226
Impairment and other items (2)	6,445
Operating losses (3)	15
Operating income, excluding specified items (Non-GAAP)	\$ 46,718
Non-GAAP operating income as a % of net sales	27.1%
Preclinical Services	
Net sales	\$ 116,969
Operating income	6,425
Operating income as a % of net sales	5.5%
Add back:	
Amortization of intangible assets related to acquisitions	2,255
Severance related to cost-savings actions	917
Impairment and other items (2)	7,698
Operating losses (3)	628
Operating income, excluding specified items (Non-GAAP)	\$ 17,923
Non-GAAP operating income as a % of net sales	15.3%
Unallocated Corporate Overhead	\$ (17,946)
Add back:	
Costs associated with the evaluation of acquisitions	766
Unallocated corp. costs, excluding specified items (Non-GAAP)	\$ (17,180)
Total	
Net sales	\$ 289,228
Operating income	24,607
Operating income as a % of net sales	8.5%
Add back:	
Amortization of intangible assets related to acquisitions	4,915
Severance related to cost-savings actions	2,161
Government billing adjustment and related expenses	226
Impairment and other items (2)	14,143
Operating losses (3)	643
Costs associated with the evaluation of acquisitions	766
Operating income, excluding specified items (Non-GAAP)	\$ 47,461
Non-GAAP operating income as a % of net sales	16.4%

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(2) For the quarter ended December 28, 2013, impairment and other items primarily includes: (i) accelerated depreciation related to the consolidation of research model production operations in California and our BPS operations and (ii) an adjustment to prior-period accrued compensated absences.

(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)

	Three Months Ended	
	March 29, 2014	March 30, 2013
Net income attributable to common stockholders	\$ 32,232	\$ 25,578
Less: Discontinued operations	270	155
Net income from continuing operations	32,502	25,733
Add back:		
Amortization of intangible assets related to acquisitions	4,339	4,248
Severance related to cost-savings actions	1,900	297
Impairment and other items (2)	980	-
Operating losses (3)	683	1,106
Costs associated with the evaluation and integration of acquisitions	3,305	486
Government billing adjustment and related expenses	67	-
Convertible debt accounting, net (4)	-	3,813
Tax effect of items above	(4,502)	(2,457)
Net income, excluding specified charges (Non-GAAP)	<u>\$ 39,274</u>	<u>\$ 33,226</u>
Weighted average shares outstanding - Basic	47,090,830	47,658,995
Effect of dilutive securities (stock options, unvested restricted stock):	1,060,554	777,054
Weighted average shares outstanding - Diluted	<u>48,151,384</u>	<u>48,436,049</u>
Basic earnings per share	\$ 0.68	\$ 0.54
Diluted earnings per share	\$ 0.67	\$ 0.53
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 0.83	\$ 0.70
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 0.82	\$ 0.69

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(2) For the three months ended March 29, 2014, impairment and other items includes \$980 of asset impairments and accelerated depreciation related to our Portage, Michigan research model production facility

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

(4) The three months ended March 30, 2013 includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,760 and depreciation expense by \$53, respectively.

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>December 28,</u> <u>2013</u>
Net income attributable to common shareholders	\$	19,099
Less: Discontinued operations		<u>82</u>
Net income from continuing operations		19,181
Add back:		
Amortization of intangible assets related to acquisitions		4,915
Severance related to cost-savings actions		2,161
Impairment and other items (2)		14,143
Operating losses (3)		643
Costs associated with the evaluation of acquisitions		766
Government billing adjustment and related expenses		226
Tax effect of items above		<u>(6,919)</u>
Net income, excluding specified charges (Non-GAAP)	\$	<u>35,116</u>
Weighted average shares outstanding - Basic		47,150,688
Effect of dilutive securities:		
Stock options and contingently issued restricted stock		<u>984,304</u>
Weighted average shares outstanding - Diluted		<u>48,134,992</u>
Basic earnings per share	\$	0.41
Diluted earnings per share	\$	0.40
Basic earnings per share, excluding specified charges (Non-GAAP)	\$	0.74
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$	0.73

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- (2) For the quarter ended December 28, 2013, impairment and other items primarily includes: (i) accelerated depreciation related to the consolidation of research model production operations in California and our BPS operations and (ii) an adjustment to prior-period accrued compensated absences.
- (3) Includes operating losses related primarily to the Company's PCS-Massachusetts facility.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP REVENUE GROWTH (YEAR-OVER-YEAR)
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE

For the three months ended March 29, 2014:	<u>Total CRL</u>	<u>RMS Segment</u>	<u>PCS Segment</u>
Revenue growth, reported	2.8%	1.7%	4.6%
Impact of foreign exchange	0.4%	0.2%	0.7%
Revenue growth, constant currency	<u>2.4%</u>	<u>1.5%</u>	<u>3.9%</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 one-time charges, 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 and regulations.

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

	2014E Guidance	
	REVISED	PRIOR
GAAP EPS Estimate	\$2.64 - \$2.74	\$2.68 - \$2.78
Add back:		
Amortization of intangible assets	\$0.33	\$0.22
Operating losses (1)	\$0.04	\$0.04
Charges related to global efficiency initiative (2)	\$0.08-\$0.10	\$0.05-\$0.07
Costs associated with the evaluation and integration of acquisitions	\$0.05	--
Non-GAAP EPS Estimate	\$3.15 - \$3.25	\$3.00 - \$3.10

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

(2) These charges are primarily 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

(dollars in thousands)

	Three Months Ended		
	March 29, 2014	December 28, 2013	March 30, 2013
GAAP Interest Expense, net	\$ 2,596	\$ 2,572	\$ 8,183
Exclude:			
Convertible debt accounting, net	-	-	(3,760)
Non-GAAP Interest Expense, net	\$ 2,596	\$ 2,572	\$ 4,423

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

	Three Months Ended	
	March 29, 2014	March 30, 2013
Income from continuing operations before income taxes & noncontrolling interest	42,986	35,648
Add back:		
Amortization of intangible assets related to acquisitions	4,339	4,248
Severance related to cost-savings actions	1,900	297
Impairment and other items (2)	980	-
Operating losses (3)	683	1,106
Costs associated with the evaluation and integration of acquisitions	3,305	486
Government billing adjustment and related expenses	67	-
Convertible debt accounting, net (4)	-	3,813
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	<u>\$ 54,260</u>	<u>\$ 45,598</u>
Provision for income taxes (GAAP)	10,358	9,722
Tax effect on amortization, severance and other charges	4,502	2,457
Provision for income taxes (Non-GAAP)	<u>14,860</u>	<u>12,179</u>
Total rate (GAAP)	24.1%	27.3%
Total rate, excluding specified charges (Non-GAAP)	27.4%	26.7%

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- (2) For the three months ended March 29, 2014, impairment and other items includes: (i) \$981 of asset impairments and accelerated depreciation related to our Portage, Michigan research model production facility; and (ii) a \$933 impairment charge related to an RMS Europe facility.
- (3) Includes operating losses related primarily to the Company's PCS-Massachusetts facility.
- (4) The three months ended March 30, 2013 includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,760 and depreciation expense by \$53, respectively.

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

	<u>Three Months Ended</u> December 28, 2013
Income from continuing operations before income taxes & noncontrolling interest	\$ 23,106
Add back:	
Amortization of intangible assets related to acquisitions	4,915
Severance related to cost-savings actions	2,161
Impairment and other items (2)	14,143
Operating losses (3)	643
Costs associated with the evaluation of acquisitions	766
Government billing adjustment and related expenses	226
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	\$ 45,960
Provision for income taxes	\$ 3,580
Tax effect on amortization, severance and other charges	6,919
Provision for income taxes (Non-GAAP)	\$ 10,499
Tax rate (GAAP)	15.5%
Tax rate, excluding specified charges (Non-GAAP)	22.8%

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**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	26.5%-27.5%
Amortization of intangible assets, operating losses primarily related to PCS Massachusetts, charges related to global efficiency initiative, and costs associated with the evaluation and integration of acquisitions	~0.5%
Non-GAAP Tax Rate	<hr/> 27.0%-28.0% <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>Fiscal Year Ended</u>
	March 29, 2014	March 30, 2013	December 27, 2014E
Net cash provided by operating activities	\$ 28,463	\$ 29,977	\$240,000-\$250,000
Less: Capital expenditures	<u>(11,190)</u>	<u>(6,429)</u>	<u>(55,000)-(65,000)</u>
Free cash flow	<u>\$ 17,273</u>	<u>\$ 23,548</u>	<u>\$180,000-\$190,000</u>

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