

3Q14 Results Regulation G Financial Reconciliations & Appendix

Charles River Laboratories International, Inc.
October 29, 2014

Revenue Breakout by Product/Service Line*

(\$ in millions)	3Q14	3Q13	YOY Δ	Less: FX	YOY Δ ex. FX
Research Models	\$81.7	\$81.4	0.4%	(0.4%)	0.8%
RM Services	<u>\$42.3</u>	<u>\$42.9</u>	(1.3%)	0.1%	(1.4%)
Total RMS Segment	\$124.0	\$124.2	(0.2%)	(0.3%)	0.1%
Total DSA Segment	\$140.9	\$112.6	25.1%	1.0%	24.1%
EMD	\$31.8	\$28.3	12.4%	0.6%	11.8%
Other Mfg. Support**	<u>\$30.9</u>	<u>\$26.9</u>	14.5%	0.6%	13.9%
Total Mfg. Support	\$62.7	\$55.3	13.4%	0.5%	12.9%
Total Revenue	\$327.6	\$292.1	12.1%	0.4%	11.7%

* May not add due to rounding.

** Other Mfg. Support includes the Biologics Testing Solutions and Avian Vaccine business units.

CRL Segment Structure

Research Models and Services (RMS)	Discovery and Safety Assessment (DSA)	Manufacturing Support
<ul style="list-style-type: none">➤ Research Models➤ Research Model Services<ul style="list-style-type: none">▪ Genetically Engineered Models & Services (GEMS)▪ Research Animal Diagnostic Services (RADS)▪ Insourcing Solutions (IS)	<ul style="list-style-type: none">➤ Discovery Services<ul style="list-style-type: none">▪ Early Discovery (<i>Argenta/BioFocus & ChanTest</i>)▪ <i>In Vivo</i> Discovery (<i>NC, Finland & MA sites</i>)➤ Safety Assessment	<ul style="list-style-type: none">➤ Endotoxin & Microbial Detection (EMD)➤ Avian Vaccine Services➤ Biologics Testing Solutions (formerly BPS)

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

	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Research Models and Services				
Revenue	\$ 124,021	\$ 124,236	\$ 389,636	\$ 388,868
Add back government billing adjustment	-	-	-	1,495
Non-GAAP revenue	\$ 124,021	\$ 124,236	\$ 389,636	\$ 390,363
Operating income	28,056	23,803	97,734	97,576
Operating income as a % of revenue	22.6%	19.2%	25.1%	25.1%
Add back:				
Amortization of intangible assets related to acquisitions	470	457	2,015	1,702
Severance related to cost-savings actions	379	32	3,974	301
Government billing adjustment and related expenses	214	321	294	2,176
Impairment and other items ⁽²⁾	2,402	7,238	5,107	7,238
Operating losses ⁽³⁾	-	47	27	256
Operating income, excluding specified charges (Non-GAAP)	\$ 31,521	\$ 31,898	\$ 109,151	\$ 109,249
Non-GAAP operating income as a % of non-GAAP revenue	25.4%	25.7%	28.0%	28.0%
Discovery and Safety Assessment				
Revenue	\$ 140,862	\$ 112,627	\$ 388,614	\$ 321,908
Operating income	19,329	18,968	48,840	38,672
Operating income as a % of revenue	13.7%	16.8%	12.6%	12.0%
Add back:				
Amortization of intangible assets related to acquisitions	5,789	2,383	12,652	7,192
Severance related to cost-savings actions	69	397	1,118	710
Operating losses ⁽³⁾	606	737	1,981	2,472
Costs associated with the evaluation and integration of acquisitions	(7)	-	196	-
Operating income, excluding specified charges (Non-GAAP)	\$ 25,786	\$ 22,485	\$ 64,787	\$ 49,046
Non-GAAP operating income as a % of revenue	18.3%	20.0%	16.7%	15.2%
Manufacturing Support				
Revenue	\$ 62,684	\$ 55,266	\$ 189,864	\$ 165,524
Operating income	19,220	16,125	58,091	46,576
Operating income as a % of revenue	30.7%	29.2%	30.6%	28.1%
Add back:				
Amortization of intangible assets related to acquisitions	1,361	1,339	4,146	3,997
Severance related to cost-savings actions	126	46	150	46
Operating income, excluding specified charges (Non-GAAP)	\$ 20,707	\$ 17,510	\$ 62,387	\$ 50,619
Non-GAAP operating income as a % of revenue	33.0%	31.7%	32.9%	30.6%
Unallocated Corporate Overhead				
	\$ (20,433)	\$ (18,053)	\$ (67,762)	\$ (56,030)
Add back:				
Severance related to cost-savings actions	-	-	121	-
Costs associated with the evaluation and integration of acquisitions	580	306	5,256	986
Convertible debt accounting	-	-	-	107
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (19,853)	\$ (17,747)	\$ (62,385)	\$ (54,937)
Total				
Revenue	\$ 327,567	\$ 292,129	\$ 968,114	\$ 876,300
Add back government billing adjustment	-	-	-	1,495
Non-GAAP revenue	\$ 327,567	\$ 292,129	\$ 968,114	\$ 877,795
Operating income	46,172	40,843	136,903	126,794
Operating income as a % of revenue	14.1%	14.0%	14.1%	14.5%
Add back:				
Amortization of intangible assets related to acquisitions	7,620	4,179	18,813	12,891
Severance related to cost-savings actions	574	475	5,363	1,087
Government billing adjustment and related expenses	214	321	294	2,176
Impairment and other items ⁽²⁾	2,402	7,238	5,107	7,238
Operating losses ⁽³⁾	606	784	2,008	2,728
Costs associated with the evaluation and integration of acquisitions	573	306	5,452	986
Convertible debt accounting ⁽⁴⁾	-	-	-	107
Operating income, excluding specified charges (Non-GAAP)	\$ 58,161	\$ 54,146	\$ 173,940	\$ 153,977
Non-GAAP operating income as a % of non-GAAP revenue	17.8%	18.5%	18.0%	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 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 and nine months ended September 27, 2014, impairment and other items includes \$2.1 million and \$4.6 million of asset impairments and accelerated depreciation related to the consolidation of research model production operations, respectively; \$0.3 million and \$1.6 million of charges related to a dispute with a large model supplier, respectively; and a \$0 and \$1.1 million gain related to the sale of a former research model facility in France, respectively. For both three and nine months ended September 28, 2013, impairment and other items includes \$6.8 million of accelerated depreciation related to the consolidation of research model production operations in California and \$0.4 million of impairments in Germany.

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

(4) The nine months ended September 28, 2013 includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased depreciation expense by \$0.1 million.

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 27,</u> <u>2014</u>	<u>September 28,</u> <u>2013</u>	<u>September 27,</u> <u>2014</u>	<u>September 28,</u> <u>2013</u>
Net income attributable to common shareholders	\$ 32,036	\$ 30,867	\$ 99,532	\$ 83,729
Less: Discontinued operations	(52)	113	862	1,183
Net income from continuing operations	31,984	30,980	100,394	84,912
Add back:				
Amortization of intangible assets related to acquisitions	7,620	4,179	18,813	12,891
Severance related to cost-savings actions	574	475	5,363	1,057
Impairment and other items ⁽²⁾	2,402	7,238	5,107	7,238
Operating losses ⁽³⁾	606	784	2,008	2,728
Costs associated with the evaluation and integration of acquisitions	573	306	5,452	986
Government billing adjustment and related expenses	214	321	294	2,176
Write-off of deferred financing costs and fees related to debt refinancing	-	-	-	645
Convertible debt accounting, net ⁽⁴⁾	-	-	-	6,710
Tax effect of items above	(3,553)	(6,041)	(11,481)	(12,207)
Net income from continuing operations, excluding specified charges (Non-GAAP)	<u>\$ 40,420</u>	<u>\$ 38,242</u>	<u>\$ 125,950</u>	<u>\$ 107,136</u>
Weighted average shares outstanding - Basic	46,016,036	47,910,649	46,682,826	47,950,018
Effect of dilutive securities:				
Stock options and contingently issued restricted stock	861,694	530,516	883,008	704,118
Weighted average shares outstanding - Diluted	<u>46,877,730</u>	<u>48,441,165</u>	<u>47,565,834</u>	<u>48,654,136</u>
Basic earnings per share from continuing operations	\$ 0.70	\$ 0.65	\$ 2.15	\$ 1.77
Diluted earnings per share from continuing operations	\$ 0.68	\$ 0.64	\$ 2.11	\$ 1.75
Basic earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.88	\$ 0.80	\$ 2.70	\$ 2.23
Diluted earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.86	\$ 0.79	\$ 2.65	\$ 2.20

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- (2) For the three and nine months ended September 27, 2014, impairment and other items includes \$2.1 million and \$4.6 million of asset impairments and accelerated depreciation related to the consolidation of research model production operations, respectively; \$0.3 million and \$1.6 million of charges related to a dispute with a large model supplier, respectively; and a \$0 and \$1.1 million gain related to the sale of a former research model facility in France, respectively. For both three and nine months ended September 28, 2013, impairment and other items includes \$6.8 million of accelerated depreciation related to the consolidation of research model production operations in California and \$0.4 million of impairments in Germany.
- (3) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (4) The nine months ended September 28, 2013 includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$6.6 million and depreciation expense by \$0.1 million.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP REVENUE GROWTH (YEAR-OVER-YEAR)
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE AND A GOVERNMENT BILLING ADJUSTMENT
For the Three and Nine Months Ended September 27, 2014

For the three months ended September 27, 2014:	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	12.1%	(0.2%)	25.1%	13.4%
Impact of foreign exchange	0.4%	(0.3%)	1.0%	0.5%
Non-GAAP revenue growth, constant currency	<u>11.7%</u>	<u>0.1%</u>	<u>24.1%</u>	<u>12.9%</u>
For the nine months ended September 27, 2014:	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	10.5%	0.2%	20.7%	14.7%
Impact of foreign exchange	0.8%	0.3%	0.9%	1.5%
Impact of government billing adjustment	0.2%	0.4%	0.0%	0.0%
Non-GAAP revenue growth, constant currency	<u>9.5%</u>	<u>(0.5%)</u>	<u>19.8%</u>	<u>13.2%</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

	2014E Guidance	
	REVISED	PRIOR
GAAP EPS Estimate	\$2.65 - \$2.70	\$2.60 - \$2.70
Add back:		
Amortization of intangible assets	\$0.39	\$0.36
Operating losses and other items (1)	\$0.06	\$0.06
Charges related to global efficiency initiative (2)	\$0.16-\$0.18	\$0.16-\$0.18
Costs associated with the evaluation and integration of acquisitions	\$0.07	\$0.06
Non-GAAP EPS Estimate	\$3.33 - \$3.38	\$3.25 - \$3.35

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(1) These costs relate primarily to the Company's Shrewsbury, Massachusetts, facility and a dispute with a large model supplier.

(2) These charges relate primarily to the consolidation of research model production operations and other efficiency initiatives. Other projects in support of the global efficiency initiative are expected, but these charges reflect only the decisions that have already been finalized.

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>Nine Months Ended</u>	
	<u>September</u>	<u>September</u>	<u>September</u>	<u>September</u>
	<u>27, 2014</u>	<u>28, 2013</u>	<u>27, 2014</u>	<u>28, 2013</u>
Income from continuing operations before income taxes and noncontrolling interest	\$ 43,882	\$ 42,726	\$ 137,409	\$ 115,221
Add back:				
Amortization of intangible assets related to acquisitions	7,620	4,179	18,813	12,891
Severance related to cost-savings actions	574	475	5,363	1,057
Impairment and other items ⁽²⁾	2,402	7,238	5,107	7,238
Operating losses ⁽³⁾	606	784	2,008	2,728
Costs associated with the evaluation and integration of acquisitions	573	306	5,452	986
Government billing adjustment and related expenses	214	321	294	2,176
Write-off of deferred financing costs and fees related to debt refinancing	-	-	-	645
Convertible debt accounting, net ⁽⁴⁾	-	-	-	6,710
Income from continuing operations before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	\$ 55,871	\$ 56,029	\$ 174,446	\$ 149,652
Provision for income taxes (GAAP)	\$ 11,582	\$ 11,390	\$ 36,021	\$ 29,331
Tax effect on amortization, severance and other charges	<u>3,553</u>	<u>6,041</u>	<u>11,481</u>	<u>12,207</u>
Provision for income taxes (Non-GAAP)	\$ 15,135	\$ 17,431	\$ 47,502	\$ 41,538
Total rate (GAAP)	26.4%	26.7%	26.2%	25.5%
Total rate, excluding specified charges (Non-GAAP)	27.1%	31.1%	27.2%	27.8%

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- (2) For the three and nine months ended September 27, 2014, impairment and other items include \$2.1 million and \$4.6 million of asset impairments and accelerated depreciation related to the consolidation of research model production operations, respectively; \$0.3 million and \$1.6 million of charges related to a dispute with a large model supplier, respectively; and a \$0 and \$1.1 million gain related to the sale of a former research model facility in France, respectively. For both three and nine months ended September 28, 2013, impairment and other items includes \$6.8 million of accelerated depreciation related to the consolidation of research model production operations in California and \$0.4 million of impairments in Germany.
- (3) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (4) The nine months ended September 28, 2013 includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$6.6 million and depreciation expense by \$0.1 million.

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>Six Months Ended</u>	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Income from continuing operations before income taxes & noncontrolling interest	\$ 50,541	\$ 36,847	\$ 93,527	\$ 72,495
Add back:				
Amortization of intangible assets related to acquisitions	6,854	4,464	11,193	8,712
Severance related to cost-savings actions	2,889	285	4,789	582
Impairment and other items (2)	1,725	-	2,705	-
Operating losses (3)	719	838	1,402	1,944
Costs associated with the evaluation and integration of acquisitions	1,574	194	4,879	680
Government billing adjustment and related expenses	13	1,855	80	1,855
Writeoff of deferred financing costs and fees related to debt refinancing	-	645	-	645
Convertible debt accounting, net (4)	-	2,897	-	6,710
Income from continuing operations before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	\$ 64,315	\$ 48,025	\$ 118,575	\$ 93,623
Provision for income taxes (GAAP)	\$ 14,081	\$ 8,219	\$ 24,439	\$ 17,941
Tax effect on amortization, severance and other charges	3,426	3,709	7,928	6,166
Provision for income taxes (Non-GAAP)	\$ 17,507	\$ 11,928	\$ 32,367	\$ 24,107
Total rate (GAAP)	27.9%	22.3%	26.1%	24.7%
Total rate, excluding specified charges (Non-GAAP)	27.2%	24.8%	27.3%	25.7%

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- (2) For the three and six months ended June 28, 2014, impairment and other items primarily includes \$1.5 million and \$2.5 million of asset impairments and accelerated depreciation related to the consolidation of research model production operations, respectively; a \$1.3 million charge related to a dispute with a large model supplier; and a \$1.1 million gain related to the sale of a former research model facility in France.
- (3) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (4) The three and six months ended June 29, 2013 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$2.8 million and \$6.6 million and depreciation expense by \$0.1 million and \$0.1 million, 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	26.0%-26.5%
Amortization of intangible assets, operating losses primarily related to Shrewsbury, Massachusetts facility, charges related to global efficiency initiative, costs associated with the evaluation and integration of acquisitions, and certain other items	~1%
Non-GAAP Tax Rate	<u>27.0%-27.5%</u>

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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>Nine Months Ended</u>		<u>Fiscal Year Ended</u>
	<u>September 27,</u> <u>2014</u>	<u>September 28,</u> <u>2013</u>	<u>September 27,</u> <u>2014</u>	<u>September 28,</u> <u>2013</u>	<u>December 27,</u> <u>2014E</u>
Net cash provided by operating activities	\$ 66,845	\$ 67,607	\$ 152,283	\$ 146,550	\$235,000-\$245,000
Less: Capital expenditures	<u>(9,402)</u>	<u>(9,096)</u>	<u>(29,907)</u>	<u>(25,319)</u>	<u>(55,000)-(60,000)</u>
Free cash flow	<u>\$ 57,443</u>	<u>\$ 58,511</u>	<u>\$ 122,376</u>	<u>\$ 121,231</u>	<u>\$180,000-\$185,000</u>

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charles river | every step
of the way.

CRL
LISTED
NYSE