

4Q14 & FY 2014 Results and 2015 Guidance Regulation G Financial Reconciliations & Appendix

Charles River Laboratories International, Inc.
February 10, 2015

Foreign Exchange (FX) Impact

	% of FY 14 Revenue by Currency
US Dollar	53%
Canadian Dollar	5%
Euro	19%
British Pound	15%
Japanese Yen	4%
Chinese Yuan (renminbi)	3%
Other currencies	1%

Revenue Breakout by Product/Service Line*

(\$ in millions)	4Q14	4Q13	YOY Δ	Less: FX	YOY Δ ex. FX
Research Models	\$77.2	\$76.5	0.9%	(4.4%)	5.3%
RM Services	<u>\$40.5</u>	<u>\$46.0</u>	(11.9%)	(2.5%)	(9.4%)
Total RMS Segment	\$117.7	\$122.5	(3.9%)	(3.7%)	(0.2%)
Total DSA Segment	\$149.6	\$110.5	35.4%	(1.5%)	36.9%
EMD	\$34.3	\$29.7	15.6%	(4.0%)	19.6%
Other Mfg. Support**	<u>\$27.9</u>	<u>\$26.6</u>	5.1%	(3.3%)	8.4%
Total Mfg. Support	\$62.3	\$56.3	10.6%	(3.7%)	14.3%
Total Revenue	\$329.5	\$289.2	13.9%	(2.9%)	16.8%

* May not add due to rounding.

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

Revenue Breakout by Product/Service Line*

(\$ in millions)	FY14	FY13	YOY Δ	Less: FX	YOY Δ ex. FX
Research Models ⁽¹⁾	\$333.7	\$335.6	(0.6%)	(0.9%)	0.3%
RM Services	<u>\$173.7</u>	<u>\$177.3</u>	(2.0%)	(0.2%)	(1.8%)
Total RMS Segment⁽¹⁾	\$507.3	\$512.8	(1.1%)	(0.7%)	(0.4%)
Total DSA Segment	\$538.2	\$432.4	24.5%	0.3%	24.2%
EMD	\$132.2	\$112.9	17.1%	--	17.1%
Other Mfg. Support**	<u>\$119.9</u>	<u>\$108.9</u>	10.1%	0.4%	9.7%
Total Mfg. Support	\$252.1	\$221.8	13.7%	0.2%	13.5%
Total Revenue⁽¹⁾	\$1,297.7	\$1,167.0	11.2%	(0.1%)	11.3%

(1) Non-GAAP revenue excludes \$1.5M government billing adjustment in 2013.

* 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		Twelve Months Ended	
	December 27, 2014	December 28, 2013	December 27, 2014	December 28, 2013
Research Models and Services				
Revenue	\$ 117,691	\$ 122,482	\$ 507,327	\$ 511,350
Add back government billing adjustment	-	-	-	1,495
Non-GAAP revenue	\$ 117,691	\$ 122,482	\$ 507,327	\$ 512,845
Operating income	23,642	19,161	121,376	116,737
Operating income as a % of revenue	20.1%	15.6%	23.9%	22.8%
Add back:				
Amortization of intangible assets related to acquisitions	451	1,076	2,466	2,778
Severance related to cost-savings actions	619	1,123	4,593	1,424
Government billing adjustment and related expenses	554	226	848	2,402
Impairment and other items ⁽²⁾	2,002	6,440	7,109	13,678
Operating losses ⁽³⁾	-	14	27	270
Operating income, excluding specified charges (Non-GAAP)	\$ 27,268	\$ 28,040	\$ 136,419	\$ 137,289
Non-GAAP operating income as a % of non-GAAP revenue	23.2%	22.9%	26.9%	26.8%
Discovery and Safety Assessment				
Revenue	\$ 149,604	\$ 110,470	\$ 538,218	\$ 432,378
Operating income	20,909	8,741	69,749	47,413
Operating income as a % of revenue	14.0%	7.9%	13.0%	11.0%
Add back:				
Amortization of intangible assets related to acquisitions	5,458	2,401	18,110	9,593
Severance related to cost-savings actions	1,794	915	2,912	1,625
Impairment and other items ⁽²⁾	-	5,829	-	5,829
Operating losses ⁽³⁾	619	629	2,600	3,101
Costs associated with the evaluation and integration of acquisitions	208	-	404	-
Operating income, excluding specified charges (Non-GAAP)	\$ 28,988	\$ 18,515	\$ 93,775	\$ 67,561
Non-GAAP operating income as a % of revenue	19.4%	16.8%	17.4%	15.6%
Manufacturing Support				
Revenue	\$ 62,253	\$ 56,276	\$ 252,117	\$ 221,800
Operating income	20,529	14,651	78,620	61,227
Operating income as a % of revenue	33.0%	26.0%	31.2%	27.6%
Add back:				
Amortization of intangible assets related to acquisitions	1,235	1,438	5,381	5,435
Severance related to cost-savings actions	16	123	166	169
Impairment and other items ⁽²⁾	-	1,874	-	1,874
Operating income, excluding specified charges (Non-GAAP)	\$ 21,780	\$ 18,086	\$ 84,167	\$ 68,705
Non-GAAP operating income as a % of revenue	35.0%	32.1%	33.4%	31.0%
Unallocated Corporate Overhead				
Revenue	\$ (24,313)	\$ (17,946)	\$ (92,075)	\$ (73,976)
Add back:				
Severance related to cost-savings actions	-	-	121	-
Costs associated with the evaluation and integration of acquisitions	1,028	766	6,284	1,752
Convertible debt accounting	-	-	-	107
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (23,285)	\$ (17,180)	\$ (85,670)	\$ (72,117)
Total				
Revenue	\$ 329,548	\$ 289,228	\$ 1,297,662	\$ 1,165,528
Add back government billing adjustment	-	-	-	1,495
Non-GAAP revenue	\$ 329,548	\$ 289,228	\$ 1,297,662	\$ 1,167,023
Operating income	40,767	24,607	177,670	151,401
Operating income as a % of revenue	12.4%	8.5%	13.7%	13.0%
Add back:				
Amortization of intangible assets related to acquisitions	7,144	4,915	25,957	17,806
Severance related to cost-savings actions	2,429	2,161	7,792	3,218
Government billing adjustment and related expenses	554	226	848	2,402
Impairment and other items ⁽²⁾	2,002	14,143	7,109	21,381
Operating losses ⁽³⁾	619	643	2,627	3,371
Costs associated with the evaluation and integration of acquisitions	1,236	766	6,688	1,752
Convertible debt accounting	-	-	-	107
Operating income, excluding specified charges (Non-GAAP)	\$ 54,751	\$ 47,461	\$ 228,691	\$ 201,438
Non-GAAP operating income as a % of non-GAAP revenue	16.6%	16.4%	17.6%	17.3%

- (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 twelve months ended December 27, 2014, impairment and other items included \$1.9 million and \$6.5 million of asset impairments and accelerated depreciation related to the consolidation of research model production operations, respectively; \$0 and \$1.6 million of charges related to a dispute with a large model supplier, respectively; and a \$0.1 million charge and a \$1.0 million gain related to the sale of a former research model facility in France, respectively. For the three and twelve months ended December 28, 2013, impairment and other items included \$6.6 million and \$13.5 million of accelerated depreciation related to the consolidation of research model production operations in California, respectively; and \$0.2 million and \$0.6 million of impairments in Germany, respectively. In addition, for both the three and twelve months ended December 28, 2013, impairment and other items included \$1.9 million of accelerated depreciation related to Biologics Testing Solutions operations; \$3.8 million for an impairment charge related to the Company's Shrewsbury, Massachusetts facility; and \$1.6 million for an adjustment to prior-period accrued compensated absences.
- (3) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (4) The year ended December 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>Twelve Months Ended</u>	
	<u>December 27, 2014</u>	<u>December 28, 2013</u>	<u>December 27, 2014</u>	<u>December 28, 2013</u>
Net income attributable to common shareholders	\$ 27,166	\$ 19,099	\$ 126,698	\$ 102,828
Less: Discontinued operations	<u>864</u>	<u>82</u>	<u>1,726</u>	<u>1,265</u>
Net income from continuing operations attributable to common shareholders	28,030	19,181	128,424	104,093
Add back:				
Amortization of intangible assets related to acquisitions	7,144	4,915	25,957	17,806
Severance related to cost-savings actions	2,429	2,161	7,792	3,218
Government billing adjustment and related expenses	554	226	848	2,402
Impairment and other items ⁽²⁾	2,002	14,143	7,109	21,381
Operating losses ⁽³⁾	619	643	2,627	3,371
Costs associated with the evaluation and integration of acquisitions	1,236	766	6,688	1,752
Convertible debt accounting, net ⁽⁴⁾	-	-	-	6,710
Write-off of deferred financing costs and fees related to debt refinancing	-	-	-	645
Tax effect of items above	<u>(3,506)</u>	<u>(6,919)</u>	<u>(14,987)</u>	<u>(19,126)</u>
Net income from continuing operations attributable to common shareholders, excluding specified charges (Non-GAAP)	<u>\$ 38,508</u>	<u>\$ 35,116</u>	<u>\$ 164,458</u>	<u>\$ 142,252</u>
Weighted average shares outstanding - Basic	46,459,512	47,150,688	46,626,997	47,740,167
Effect of dilutive securities:				
Stock options and contingently issued restricted stock	<u>1,057,147</u>	<u>984,304</u>	<u>930,709</u>	<u>749,155</u>
Weighted average shares outstanding - Diluted	<u>47,516,659</u>	<u>48,134,992</u>	<u>47,557,706</u>	<u>48,489,322</u>
Basic earnings per share from continuing operations	\$ 0.60	\$ 0.41	\$ 2.76	\$ 2.18
Diluted earnings per share from continuing operations	\$ 0.59	\$ 0.40	\$ 2.70	\$ 2.15
Basic earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.83	\$ 0.74	\$ 3.53	\$ 2.98
Diluted earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.81	\$ 0.73	\$ 3.46	\$ 2.93

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- (2) For the three and twelve months ended December 27, 2014, impairment and other items included \$1.9 million and \$6.5 million of asset impairments and accelerated depreciation related to the consolidation of research model production operations, respectively; \$0 and \$1.6 million of charges related to a dispute with a large model supplier, respectively; and a \$0.1 million charge and a \$1.0 million gain related to the sale of a former research model facility in France, respectively. For the three and twelve months ended December 28, 2013, impairment and other items included \$6.6 million and \$13.5 million of accelerated depreciation related to the consolidation of research model production operations in California, respectively; and \$0.2 million and \$0.6 million of impairments in Germany, respectively. In addition, for both the three and twelve months ended December 28, 2013, impairment and other items included \$1.9 million of accelerated depreciation related to Biologics Testing Solutions operations; \$3.8 million for an impairment charge related to the Company's Shrewsbury, Massachusetts facility; and \$1.6 million for an adjustment to prior-period accrued compensated absences.
- (3) This item includes operating losses related primarily to the Company's Shrewsbury, 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 \$6.6 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 Twelve Months Ended December 27, 2014

For the three months ended December 27, 2014:	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	13.9%	(3.9%)	35.4%	10.6%
Impact of foreign exchange	(2.9%)	(3.7%)	(1.5%)	(3.7%)
Non-GAAP revenue growth, constant currency	16.8%	(0.2%)	36.9%	14.3%
For the twelve months ended December 27, 2014:	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	11.3%	(0.8%)	24.5%	13.7%
Impact of foreign exchange	(0.1%)	(0.7%)	0.3%	0.2%
Impact of government billing adjustment	0.1%	0.3%	0.0%	0.0%
Non-GAAP revenue growth, constant currency	11.3%	(0.4%)	24.2%	13.5%

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF ORGANIC REVENUE GROWTH
For the Twelve Months Ended December 27, 2014

	FY 2014
Revenue growth, reported	11.3%
Impact of foreign exchange	(0.1%)
Impact of government billing adjustment	0.1%
Non-GAAP revenue growth, constant currency	11.3%
Impact of Early Discovery acquisitions	6.3%
Organic revenue growth, constant currency (Non-GAAP)	5.0%

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP REVENUE AND EARNINGS PER SHARE (EPS)
Guidance for the Twelve Months Ended December 26, 2015E

	2015E Guidance
Revenue growth, reported	1.0%-2.5%
Less: Unfavorable impact of foreign exchange	(~5%)
Revenue growth, constant currency	6.0%-7.5%
GAAP EPS estimate	\$3.15 - \$3.25
Add back:	
Amortization of intangible assets	\$0.31
Operating losses (1)	\$0.04
Charges related to global efficiency initiative (2)	\$0.05
Non-GAAP EPS estimate	\$3.55 - \$3.65

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(1) These costs relate primarily to the Company's Shrewsbury, Massachusetts, facility.

(2) These charges relate primarily to the Company's planned efficiency initiatives in 2015. Other projects in support of the global productivity and 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>Twelve Months Ended</u>	
	December 27, 2014	December 28, 2013	December 27, 2014	December 28, 2013
Income from continuing operations before income taxes & noncontrolling interest	\$ 40,186	\$ 23,106	\$ 177,595	\$ 138,327
Add back:				
Amortization of intangible assets related to acquisitions	7,144	4,915	25,957	17,806
Severance related to cost-savings actions	2,429	2,161	7,792	3,218
Government billing adjustment and related expenses	554	226	848	2,402
Impairment and other items ⁽²⁾	2,002	14,143	7,109	21,381
Operating losses ⁽³⁾	619	643	2,627	3,371
Costs associated with the evaluation and integration of acquisitions	1,236	766	6,688	1,752
Convertible debt accounting, net ⁽⁴⁾	-	-	-	6,710
Write-off of deferred financing costs and fees related to debt refinancing	-	-	-	645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	<u>\$ 54,170</u>	<u>\$ 45,960</u>	<u>\$ 228,616</u>	<u>\$ 195,612</u>
Provision for income taxes	\$ 11,650	\$ 3,580	\$ 47,671	\$ 32,911
Tax effect on amortization, severance and other charges	<u>3,506</u>	<u>6,919</u>	<u>14,987</u>	<u>19,126</u>
Provision for income taxes (Non-GAAP)	<u>\$ 15,156</u>	<u>\$ 10,499</u>	<u>\$ 62,658</u>	<u>\$ 52,037</u>
Tax rate (GAAP)	29.0%	15.5%	26.8%	23.8%
Tax rate, excluding specified charges (Non-GAAP)	28.0%	22.8%	27.4%	26.6%

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- (2) For the three and twelve months ended December 27, 2014, impairment and other items included \$1.9 million and \$6.5 million of asset impairments and accelerated depreciation related to the consolidation of research model production operations, respectively; \$0 and \$1.6 million of charges related to a dispute with a large model supplier, respectively; and a \$0.1 million charge and a \$1.0 million gain related to the sale of a former research model facility in France, respectively. For the three and twelve months ended December 28, 2013, impairment and other items included \$6.6 million and \$13.5 million of accelerated depreciation related to the consolidation of research model production operations in California, respectively; and \$0.2 million and \$0.6 million of impairments in Germany, respectively. In addition, for both the three and twelve months ended December 28, 2013, impairment and other items included \$1.9 million of accelerated depreciation related to Biologics Testing Solutions operations; \$3.8 million for an impairment charge related to the Company's Shrewsbury, Massachusetts facility; and \$1.6 million for an adjustment to prior-period accrued compensated absences.
- (3) This item includes operating losses related primarily to the Company's Shrewsbury, 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 \$6.6 million and depreciation expense by \$0.1 million.

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

	<u>Fiscal Year Ended</u> December 26 2015E
GAAP Tax Rate	22.0%-23.0%
Amortization of intangible assets, operating losses primarily related to Shrewsbury, Massachusetts facility, and charges related to global efficiency initiative	~5%
Non-GAAP Tax Rate	<hr/> <hr/> 27.0%-28.0% <hr/> <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>		<u>Fiscal Year Ended</u> <u>December 26,</u> <u>2015E</u>
	<u>December 27,</u> <u>2014</u>	<u>December 28,</u> <u>2013</u>	<u>December 27,</u> <u>2014</u>	<u>December 28,</u> <u>2013</u>	
Net cash provided by operating activities	\$ 99,849	\$ 62,495	\$ 252,132	\$ 209,045	\$265,000-\$275,000
Less: Capital expenditures	(27,018)	(13,835)	(56,925)	(39,154)	Up to (70,000)
Free cash flow	<u>\$ 72,831</u>	<u>\$ 48,660</u>	<u>\$ 195,207</u>	<u>\$ 169,891</u>	<u>\$195,000-\$205,000</u>

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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 27, 2014	December 28, 2013	December 29, 2012	December 31, 2011	December 25, 2010
Net income (loss) attributable to common shareholders	\$ 126,698	\$ 102,828	\$ 97,295	\$ 109,566	\$ (336,669)
Less: Discontinued operations	<u>1,726</u>	<u>1,265</u>	<u>4,252</u>	<u>5,545</u>	<u>8,012</u>
Net income (loss) from continuing operations	128,424	104,093	101,547	115,111	(328,657)
Add back:					
Amortization of intangible assets related to acquisitions	25,957	17,806	18,067	21,795	24,405
Severance related to cost-savings actions	7,792	3,218	2,580	5,462	16,504
Impairment and other items (2)	7,109	21,381	3,963	473	384,896
Adjustment of acquisition-related contingent consideration and related items	-	-	-	(721)	2,865
Operating losses (3)	2,627	3,371	3,738	6,471	13,387
Costs associated with the evaluation of acquisitions	6,688	1,752	3,774	215	8,319
Government billing adjustment and related expenses	848	2,402	-	-	-
Acquisition agreement termination fee	-	-	-	-	30,000
Gain on settlement of life insurance policy	-	-	-	(7,710)	-
U.S. pension curtailment	-	-	-	-	-
Gain on sale of U.K. real estate	-	-	-	-	-
Write-off of deferred financing costs and fees related to debt refinancing	-	645	-	1,450	4,542
Loss on sale of auction rate securities	-	-	712	-	-
Convertible debt accounting, net (4)	-	6,710	14,741	13,978	12,948
Deferred tax revaluation	-	-	-	-	-
Tax benefit from disposition of Phase I clinical business	-	-	-	(11,111)	-
Massachusetts tax law change	-	-	-	-	-
Reduction of tax benefits - PCS Massachusetts	-	-	-	-	-
Costs and taxes associated with corporate legal entity restructuring and repatriation	-	-	-	1,637	15,689
Tax effect of items above	<u>(14,987)</u>	<u>(19,126)</u>	<u>(16,604)</u>	<u>(15,710)</u>	<u>(59,274)</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 164,458</u>	<u>\$ 142,252</u>	<u>\$ 132,518</u>	<u>\$ 131,340</u>	<u>\$ 125,624</u>
Weighted average shares outstanding - Basic	46,626,997	47,740,167	47,912,135	50,823,063	62,561,294
Effect of dilutive securities:					
Stock options and contingently issued restricted stock	<u>930,709</u>	<u>749,155</u>	<u>494,185</u>	<u>495,179</u>	<u>558,229</u>
Weighted average shares outstanding - Diluted	<u>47,557,706</u>	<u>48,489,322</u>	<u>48,406,320</u>	<u>51,318,242</u>	<u>63,119,523</u>
Basic earnings (loss) per share	\$ 2.72	\$ 2.15	\$ 2.03	\$ 2.16	\$ (5.38)
Diluted earnings (loss) per share	\$ 2.66	\$ 2.12	\$ 2.01	\$ 2.14	\$ (5.38)
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 3.53	\$ 2.98	\$ 2.77	\$ 2.58	\$ 2.01
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 3.46	\$ 2.93	\$ 2.74	\$ 2.56	\$ 1.99

See next page for footnotes to this reconciliation.

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

Footnotes to reconciliation on previous page.

(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) 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 PCS 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. Reported results in 2011 include: (i) asset impairments associated with certain RMS and PCS operations; (ii) gains on the disposition of RMS facilities in Michigan and Europe; (iii) costs associated with exiting a defined benefit plan in RMS Japan; and (iv) costs associated with vacating a corporate leased facility. Reported results in 2010 primarily include to goodwill and asset impairments associated with the Company's PCS business segment. Additionally, these amounts were reduced by \$4.3 million to account for the portion of the asset impairment charge associated with the non-controlling interest in the company's former PCS facility in China. Reported results in 2009 primarily include an asset impairment and costs associated with the Company's planned disposition of its PCS facility in Arkansas, as well as additional miscellaneous expenses. Reported results in 2008 primarily include a goodwill impairment related to the Company's PCS business segment, as well as asset impairments and other charged related to the sale of the Company's Vaccine business in Mexico and closure of the Company's facility in Hungary; the disposition of and accelerated exit from the Company's Worcester, MA facility; severance costs related to cost-saving actions and advisory fees incurred in connection with repatriation of accumulated foreign earnings.

(3) Operating losses are primarily related to the curtailment of operations and subsequent operating costs at the Company's PCS facilities in China, Massachusetts and Arkansas.

(4) Reported results in 2013, 2012, 2011, 2010, 2009, and 2008 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$6.6 million, \$14.5 million, \$13.8 million, \$12.7 million, \$11.9 million, and \$11.1 million and depreciation expense by \$0.1 million, \$0.2 million, \$0.2 million, \$0.2 million, \$0.2 million, and \$0.1 million, respectively; and capitalized interest by \$1.0 million in 2009 and \$2.8 million in 2008.

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

	December 25, 2010	December 31, 2011	December 29, 2012	December 28, 2013	December 27, 2014	December 26, 2015E
<u>Free Cash Flow Reconciliation</u>						
Net cash provided by operating activities	\$ 168,236	\$ 206,998	\$ 208,006	\$ 209,045	\$ 252,132	\$265,000-\$275,000
Add: WuXi PharmaTech termination fee	30,000	-	-	-	-	-
Less: Capital expenditures	(42,860)	(49,143)	(47,534)	(39,154)	(56,925)	Up to (70,000)
Free cash flow	<u>\$ 155,376</u>	<u>\$ 157,855</u>	<u>\$ 160,472</u>	<u>\$ 169,891</u>	<u>\$ 195,207</u>	<u>\$195,000-\$205,000</u>
<u>Free Cash Flow Per Share Calculation</u>						
Diluted shares outstanding - average (in thousands)	63,119,523	51,318,242	48,406,320	48,489,322	47,557,706	~47,500,000
Free Cash Flow Per Share	\$ 2.46	\$ 3.08	\$ 3.32	\$ 3.50	\$ 4.10	~\$4.10-\$4.30

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.



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