

# **1Q11 Results**

## **Regulation G Financial Reconciliations**

**Charles River Laboratories International, Inc.**

May 3, 2011

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

	<b>Three Months Ended</b>	
	<b>March 26, 2011</b>	<b>March 27, 2010</b>
<b>Research Models and Services</b>		
Net sales	\$ 173,371	\$ 172,205
Operating income	51,742	49,984
Operating income as a % of net sales	29.8%	29.0%
Add back:		
Amortization related to acquisitions	1,707	2,400
Severance related to cost-savings actions	229	-
Impairment and other charges (2)	463	-
Operating income, excluding specified charges (Non-GAAP)	\$ 54,141	\$ 52,384
Non-GAAP operating income as a % of net sales	31.2%	30.4%
<b>Preclinical Services</b>		
Net sales	\$ 112,472	\$ 120,082
Operating income	9,306	429
Operating income as a % of net sales	8.3%	0.4%
Add back:		
Amortization related to acquisitions	3,673	4,279
Severance related to cost-savings actions	257	2,656
Impairment and other charges (2)	-	986
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,646	3,471
Operating income, excluding specified charges (Non-GAAP)	\$ 15,882	\$ 11,821
Non-GAAP operating income as a % of net sales	14.1%	9.8%
<b>Unallocated Corporate Overhead</b>		
	\$ (18,797)	\$ (20,219)
Add back:		
Severance related to cost-savings actions	6	16
Costs related to PCS China	141	-
Costs associated with the evaluation of acquisitions	-	117
Convertible debt accounting (3)	53	53
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (18,597)	\$ (20,033)
<b>Total</b>		
Net sales	\$ 285,843	\$ 292,287
Operating income	42,251	30,194
Operating income as a % of net sales	14.8%	10.3%
Add back:		
Amortization related to acquisitions	5,380	6,679
Severance related to cost-savings actions	492	2,672
Impairment and other charges (2)	463	986
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,646	3,471
Costs related to PCS China	141	-
Costs associated with the evaluation of acquisitions	-	117
Convertible debt accounting (3)	53	53
Operating income, excluding specified charges (Non-GAAP)	\$ 51,426	\$ 44,172
Non-GAAP operating income as a % of net sales	18.0%	15.1%

- (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) 2011 includes charges related to exiting a defined benefit plan in RMS Japan and asset impairment charges related to the consolidation of the Company's RMS Discovery Services operations. 2010 includes items primarily related to asset impairments associated with the Company's PCS Arkansas facility.
- (3) Includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased depreciation expense.

**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 25, 2010
<b>Research Models and Services</b>	
Net sales	\$ 168,382
Operating income	44,405
Operating income as a % of net sales	26.4%
Add back:	
Amortization related to acquisitions	1,824
Severance related to cost-savings actions	4,238
Impairment and other charges (2)	<u>846</u>
Operating income, excluding specified charges (Non-GAAP)	\$ 51,313
Non-GAAP operating income as a % of net sales	30.5%
<b>Preclinical Services</b>	
Net sales	\$ 113,270
Operating income (loss)	(391,842)
Operating income as a % of net sales	-345.9%
Add back:	
Amortization related to acquisitions	4,335
Severance related to cost-savings actions	4,277
Impairment and other charges (2)	394,199
Operating losses for PCS Arkansas and PCS Massachusetts	2,662
Gain on sale of UK real estate	<u>-</u>
Operating income, excluding specified charges (Non-GAAP)	\$ 13,631
Non-GAAP operating income as a % of net sales	12.0%
<b>Unallocated Corporate Overhead</b>	
	\$ (17,722)
Add back:	
Severance related to cost-savings actions	2,418
Impairment and other charges (2)	-
Adjustment of contingent consideration related to acquisitions	(1,405)
Costs associated with the evaluation of acquisitions	182
WuXi PharmaTech termination fee	-
Repatriation fees	-
Convertible debt accounting (3)	<u>53</u>
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (16,474)
<b>Total</b>	
Net sales	\$ 281,652
Operating income (loss)	(365,159)
Operating income as a % of net sales	-129.6%
Add back:	
Amortization related to acquisitions	6,159
Severance related to cost-savings actions	10,933
Adjustment of contingent consideration related to acquisitions	(1,405)
Impairment and other charges (2)	395,045
Operating losses for PCS Arkansas and PCS Massachusetts	2,662
Costs associated with the evaluation of acquisitions	182
WuXi PharmaTech termination fee	-
Repatriation fees	-
Gain on sale of UK real estate	-
Convertible debt accounting (3)	<u>53</u>
Operating income, excluding specified charges (Non-GAAP)	\$ 48,470
Non-GAAP operating income as a % of net sales	17.2%

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- (2) For the three months ended December 25, 2010, these items were related primarily to goodwill and asset impairments associated with the Company's PCS business segment.
- (3) Includes 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)

	<u>Three Months Ended</u>	
	<u>March 26,</u> <u>2011</u>	<u>March 27,</u> <u>2010</u>
Net income attributable to common shareholders	\$ 31,335	\$ 17,382
Less: Discontinued operations	<u>3,945</u>	<u>338</u>
Net income from continuing operations	35,280	17,720
Add back:		
Amortization related to acquisitions	5,380	6,679
Severance related to cost-savings actions	492	2,672
Impairment and other charges (2)	463	986
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,787	3,471
Costs associated with the evaluation of acquisitions	-	117
Convertible debt accounting, net (3)	3,333	3,116
Tax benefit from disposition of Phase I Clinical business	(11,111)	-
Tax effect	<u>(3,482)</u>	<u>(5,405)</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 33,142</u>	<u>\$ 29,356</u>
Weighted average shares outstanding - Basic	53,937,948	65,124,451
Effect of dilutive securities:		
Stock options and contingently issued restricted stock	659,792	700,211
Warrants	<u>-</u>	<u>-</u>
Weighted average shares outstanding - Diluted	<u>54,597,740</u>	<u>65,824,662</u>
Basic earnings per share	\$ 0.58	\$ 0.27
Diluted earnings per share	\$ 0.57	\$ 0.26
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 0.61	\$ 0.45
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 0.61	\$ 0.45

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- (2) 2011 includes charges related to exiting a defined benefit plan in RMS Japan and asset impairment charges related to the consolidation of the Company's RMS Discovery Services operations. 2010 includes items primarily related to asset impairments associated with the Company's PCS Arkansas facility.
- (3) Includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,280 and depreciation expense by \$53 for the three months ended March 26, 2011 and increased interest expense by \$3,063 and depreciation expense by \$53 for the three months ended March 27, 2010.

**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> December 25, 2010
Net income (loss) attributable to common shareholders	\$ (343,564)
Less: Discontinued operations	<u>5,549</u>
Net income (loss) from continuing operations	(338,015)
Add back:	
Amortization related to acquisitions	6,159
Severance related to cost-savings actions	10,933
Impairment and other charges (2)	390,748
Adjustment of contingent consideration related to acquisitions	(1,405)
Operating losses for PCS Arkansas and PCS Massachusetts	2,662
Costs associated with the evaluation of acquisitions	182
WuXi PharmaTech termination fee	-
Gain on sale of UK real estate	-
Writeoff of deferred financing costs related to debt extinguishment	-
Convertible debt accounting, net (3)	3,333
Reduction of tax benefits – PCS Massachusetts	-
Repatriation tax expense (benefit) and other fees	-
Tax effect	<u>(40,056)</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 34,541</u>
Weighted average shares outstanding - Basic	56,886,053
Effect of dilutive securities:	
Stock options and contingently issued restricted stock	487,130
Warrants	<u>-</u>
Weighted average shares outstanding - Diluted	<u>57,373,183</u>
Basic earnings per share	\$ (6.04)
Diluted earnings per share	\$ (6.04)
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 0.61
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 0.60

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- (2) For the three months ended December 25, 2010, these items were related primarily to goodwill and asset impairments associated with the Company's PCS business segment. Additionally, these amounts were reduced by \$4,297 to account for the portion of the asset impairment charge associated with the non-controlling interest in the company's PCS facility in China.
- (3) The three months ended December 25, 2010 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,280 and depreciation expense by \$53, respectively.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP EARNINGS PER SHARE (EPS)**  
**Guidance for the Twelve Months Ended December 31, 2011E**

**2011E Guidance**

GAAP EPS Estimate	\$1.81 - \$2.01
Add back:	
Amortization of intangible assets	\$0.27
Severance costs and operating losses (1)	\$0.12
Impairment and other charges (2)	\$0.03
Convertible debt accounting	\$0.18
Tax benefit related to disposition of Phase I clinical business	(\$0.21)
Non-GAAP EPS Estimate	\$2.20 - \$2.40

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(1) These items include severance costs associated with the Company's fourth-quarter 2010 actions, as well as operating losses primarily attributable to the suspension of operations at its PCS facility in Massachusetts and its PCS facility in China, where the Company is currently winding down operations.

(2) These items are primarily related to lease impairment charges associated with the Company's fourth-quarter 2010 actions.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP NET INTEREST EXPENSE (1)**  
(dollars in thousands)

	<u>Three Months Ended</u>		
	<u>March 26,</u>	<u>March 27,</u>	<u>December 25,</u>
	<u>2011</u>	<u>2010</u>	<u>2010</u>
GAAP Interest Expense, net	\$ 9,652	\$ 5,651	\$ 9,197
Exclude:			
Convertible debt accounting, net	(3,280)	(3,063)	(3,280)
Non-GAAP Interest Expense, net	\$ 6,372	\$ 2,588	\$ 5,917

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

	<b>Three Months Ended</b>	
	<b>March 26, 2011</b>	<b>March 27, 2010</b>
Net income (loss) from continuing operations before income taxes & noncontrolling interest	\$ 32,662	\$ 24,075
Add back:		
Amortization related to acquisitions	5,380	6,679
Severance related to cost-savings actions	492	2,672
Impairment and other charges (2)	463	986
Operating losses for PCS China, PCS Massachusetts and PCSArkansas	2,787	3,471
Costs associated with the evaluation of acquisitions	-	117
Convertible debt accounting, net (3)	<u>3,333</u>	<u>3,116</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 45,117</u>	<u>\$ 41,116</u>
Provision for income taxes (GAAP)	\$ (2,715)	\$ 6,737
Tax effect on amortization, severance, impairment and other charges	3,482	5,405
Tax benefit from worthless stock deduction	<u>11,111</u>	<u>-</u>
Provision for income taxes (Non-GAAP)	\$ 11,878	\$ 12,142
Tax rate (GAAP)	(8.3)%	28.0%
Tax rate, excluding specified charges (Non-GAAP)	26.3%	29.5%

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- (2) 2011 includes charges related to exiting a defined benefit plan in RMS Japan and asset impairment charges related to the consolidation of the Company's RMS Discovery Services operations. 2010 includes items primarily related to asset impairments associated with our PCS Arkansas facility.
- (3) Includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,280 and depreciation expense by \$53 for the three months ended March 26, 2011 and increased interest expense by \$3,063 and depreciation expense by \$53 for the three months ended March 27, 2010.



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

	<b><u>Three Months Ended</u></b> <b>December 25,</b> <b>2010</b>
Income (loss) from continuing operations before income taxes and noncontrolling interests	\$ (372,983)
Add back:	
Amortization related to acquisitions	6,159
Severance related to cost-savings actions	10,783
Impairment and other charges (2)	395,045
Adjustment of contingent consideration related to acquisitions	(1,405)
Operating losses for PCS Arkansas and PCS Massachusetts	2,662
Costs associated with the evaluation of acquisitions	332
Repatriation consulting fees	-
WuXi PharmaTech termination fee	-
Gain on sale of UK real estate	-
Writeoff of deferred financing costs related to debt extinguishment	-
Convertible debt accounting, net (3)	<u>3,333</u>
Income from continuing operations before income taxes and noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 43,926</u>
Provision for income taxes (GAAP)	\$ (30,554)
Tax effect on amortization, severance, impairment and other charges	40,056
Tax cost of repatriation	-
Tax benefit reduction - PCS Massachusetts	<u>-</u>
Provision for income taxes (Non-GAAP)	\$ 9,502
Tax rate (GAAP)	8.2%
Tax rate, excluding specified charges (Non-GAAP)	21.6%

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- (3) The three months ended December 25, 2010, include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,280 and depreciation expense by \$53, respectively.

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

	<u>Three Months Ended</u>		<u>Fiscal Year Ended</u>
	<u>March 26,</u> <u>2011</u>	<u>March 27,</u> <u>2010</u>	<u>December 31,</u> <u>2011E</u>
Net cash provided by operating activities	\$ 21,393	\$ 27,936	\$200,000-\$220,000
Less: Capital expenditures	<u>(6,789)</u>	<u>(9,293)</u>	<u>~(50,000)</u>
Free cash flow	<u>\$ 14,604</u>	<u>\$ 18,643</u>	<u>\$150,000-\$170,000</u>

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