

2Q11 Results

Regulation G Financial Reconciliations

Charles River Laboratories International, Inc.

August 2, 2011

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>Six Months Ended</u>	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
Research Models and Services				
Net sales	\$ 178,163	\$ 167,140	\$ 351,534	\$ 339,345
Operating income	55,691	47,258	107,433	97,242
Operating income as a % of net sales	31.3%	28.3%	30.6%	28.7%
Add back:				
Amortization related to acquisitions	1,699	1,324	3,406	3,724
Severance related to cost-savings actions	213	-	442	-
Impairment and other charges (2)	478	-	941	-
Operating income, excluding specified charges (Non-GAAP)	\$ 58,081	\$ 48,582	\$ 112,222	\$ 100,966
Non-GAAP operating income as a % of net sales	32.6%	29.1%	31.9%	29.8%
Preclinical Services				
Net sales	\$ 110,100	\$ 121,452	\$ 222,572	\$ 241,534
Operating income	7,875	6,509	17,181	6,938
Operating income as a % of net sales	7.2%	5.4%	7.7%	2.9%
Add back:				
Amortization related to acquisitions	4,098	4,216	7,771	8,495
Severance related to cost-savings actions	727	2,118	984	4,774
Impairment and other charges (2)	-	(41)	-	945
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,660	3,482	5,306	6,953
Operating income, excluding specified charges (Non-GAAP)	\$ 15,360	\$ 16,284	\$ 31,242	\$ 28,105
Non-GAAP operating income as a % of net sales	14.0%	13.4%	14.0%	11.6%
Unallocated Corporate Overhead				
Add back:				
Severance related to cost-savings actions	(40)	25	(34)	41
Impairment and other charges (2)	-	-	-	-
Adjustment of contingent consideration related to acquisitions	(1,206)	-	(1,206)	-
Costs related to PCS China	-	-	141	-
Costs associated with the evaluation of acquisitions	-	7,280	-	7,397
Gain on settlement of life insurance policy	(7,710)	-	(7,710)	-
Costs associated with corporate legal entity restructuring	983	-	983	-
Convertible debt accounting (3)	54	54	107	107
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (18,171)	\$ (16,423)	\$ (36,768)	\$ (36,456)
Total				
Net sales	\$ 288,263	\$ 288,592	\$ 574,106	\$ 580,879
Operating income	53,314	29,985	95,565	60,179
Operating income as a % of net sales	18.5%	10.4%	16.6%	10.4%
Add back:				
Amortization related to acquisitions	5,797	5,540	11,177	12,219
Severance related to cost-savings actions	900	2,143	1,392	4,815
Adjustment of contingent consideration related to acquisitions	(1,206)	-	(1,206)	-
Impairment and other charges (2)	478	(41)	941	945
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,660	3,482	5,306	6,953
Costs related to PCS China	-	-	141	-
Costs associated with the evaluation of acquisitions	-	7,280	-	7,397
Gain on settlement of life insurance policy	(7,710)	-	(7,710)	-
Costs associated with corporate legal entity restructuring	983	-	983	-
Convertible debt accounting (3)	54	54	107	107
Operating income, excluding specified charges (Non-GAAP)	\$ 55,270	\$ 48,443	\$ 106,696	\$ 92,615
Non-GAAP operating income as a % of net sales	19.2%	16.8%	18.6%	15.9%

- (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) The three and six months ended June 25, 2011 included items related primarily to an asset impairment associated with the Company's RMS large model operations and a gain related to the disposition of its RMS Discovery Services facility in Michigan. Additionally, the six months ended June 25, 2011 also included costs associated with exiting a defined benefit plan in RMS Japan. The six months ended June 26, 2010 included items related primarily to an asset impairment associated with the Company's planned disposition of its PCS facility in Arkansas.
- (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> March 26, 2011
Research Models and Services	
Net sales	\$ 173,371
Operating income	51,742
Operating income as a % of net sales	29.8%
Add back:	
Amortization related to acquisitions	1,707
Severance related to cost-savings actions	229
Impairment and other charges (2)	463
Operating income, excluding specified charges (Non-GAAP)	\$ 54,141
Non-GAAP operating income as a % of net sales	31.2%
Preclinical Services	
Net sales	\$ 112,472
Operating income	9,306
Operating income as a % of net sales	8.3%
Add back:	
Amortization related to acquisitions	3,673
Severance related to cost-savings actions	257
Impairment and other charges (2)	-
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,646
Operating income, excluding specified charges (Non-GAAP)	\$ 15,882
Non-GAAP operating income as a % of net sales	14.1%
Unallocated Corporate Overhead	
Add back:	
Severance related to cost-savings actions	6
Costs related to PCS China	141
Costs associated with the evaluation of acquisitions	-
Convertible debt accounting (3)	53
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (18,797)
Total	
Net sales	\$ 285,843
Operating income	42,251
Operating income as a % of net sales	14.8%
Add back:	
Amortization related to acquisitions	5,380
Severance related to cost-savings actions	492
Impairment and other charges (2)	463
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,646
Costs related to PCS China	141
Costs associated with the evaluation of acquisitions	-
Convertible debt accounting (3)	53
Operating income, excluding specified charges (Non-GAAP)	\$ 51,426
Non-GAAP operating income as a % of net sales	18.0%

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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.
- (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)

	Three Months Ended		Six Months Ended	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
Net income attributable to common shareholders	\$ 32,318	\$ 14,454	\$ 63,653	\$ 31,836
Less: Discontinued operations	<u>1,732</u>	<u>1,139</u>	<u>5,677</u>	<u>1,477</u>
Net income from continuing operations	34,050	15,593	69,330	33,313
Add back:				
Amortization related to acquisitions	5,797	5,540	11,177	12,219
Severance related to cost-savings actions	900	2,143	1,392	4,815
Impairment and other charges (2)	478	(41)	941	945
Adjustment of contingent consideration related to acquisitions	(1,206)	-	(1,206)	-
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,660	3,482	5,447	6,953
Costs associated with the evaluation of acquisitions	-	8,313	-	8,430
Gain on settlement of life insurance policy	(7,710)	-	(7,710)	-
Fees and tax costs associated with corporate subsidiary restructuring and repatriation	983	2,690	983	2,690
Convertible debt accounting, net (3)	3,387	3,166	6,720	6,282
Tax benefit from disposition of Phase 1 clinical business	-	-	(11,111)	-
Tax effect	<u>(3,419)</u>	<u>(7,994)</u>	<u>(6,901)</u>	<u>(13,399)</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 35,920</u>	<u>\$ 32,892</u>	<u>\$ 69,062</u>	<u>\$ 62,248</u>
Weighted average shares outstanding - Basic	50,991,731	65,289,617	52,464,839	65,381,634
Effect of dilutive securities:				
Stock options and contingently issued restricted stock	689,006	584,667	687,166	635,484
Warrants	-	-	-	-
Weighted average shares outstanding - Diluted	<u>51,680,737</u>	<u>65,874,284</u>	<u>53,152,005</u>	<u>66,017,118</u>
Basic earnings per share	\$ 0.63	\$ 0.22	\$ 1.21	\$ 0.49
Diluted earnings per share	\$ 0.63	\$ 0.22	\$ 1.20	\$ 0.48
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 0.70	\$ 0.50	\$ 1.32	\$ 0.95
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 0.70	\$ 0.50	\$ 1.30	\$ 0.94

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- (2) The three and six months ended June 25, 2011 included items related primarily to an asset impairment associated with the Company's RMS large model operations and a gain related to the disposition of its RMS Discovery Services facility in Michigan. Additionally, the six months ended June 25, 2011 also included costs associated with exiting a defined benefit plan in RMS Japan. The six months ended June 26, 2010 included items related primarily to an asset impairment associated with the Company's planned disposition of its PCS facility in Arkansas.
- (3) The three and six months ended June 25, 2011 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,333 and \$6,613 and depreciation expense by \$53 and \$107, respectively. The three and six months ended June 26, 2010 include the impact of convertible debt accounting which increased interest expense by \$3,113 and \$6,175 and depreciation expense by \$53 and \$107, 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> March 26, 2011
Net income attributable to common shareholders	\$	31,335
Less: Discontinued operations		3,945
Net income from continuing operations		<u>35,280</u>
Add back:		
Amortization related to acquisitions		5,380
Severance related to cost-savings actions		492
Impairment and other charges (2)		463
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas		2,787
Costs associated with the evaluation of acquisitions		-
Convertible debt accounting, net (3)		3,333
Tax benefit from disposition of Phase I Clinical business		(11,111)
Tax effect		<u>(3,482)</u>
Net income, excluding specified charges (Non-GAAP)	\$	<u>33,142</u>
Weighted average shares outstanding - Basic		53,937,948
Effect of dilutive securities:		
Stock options and contingently issued restricted stock		659,792
Warrants		-
Weighted average shares outstanding - Diluted		<u>54,597,740</u>
Basic earnings per share	\$	0.58
Diluted earnings per share	\$	0.57
Basic earnings per share, excluding specified charges (Non-GAAP)	\$	0.61
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$	0.61

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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.
- (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.

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	
	<u>REVISED</u>	<u>PRIOR</u>
GAAP EPS Estimate	\$2.11 - \$2.21	\$1.81 - \$2.01
Add back:		
Amortization of intangible assets	\$0.29	\$0.27
Severance costs and operating losses (1)	\$0.13	\$0.12
Impairment and other charges (2)	\$0.02	\$0.03
Convertible debt accounting	\$0.18	\$0.18
Gain on settlement of life insurance policy	(\$0.14)	-
Tax benefit related to disposition of Phase I clinical business	(\$0.21)	(\$0.21)
Non-GAAP EPS Estimate	<u>\$2.38 - \$2.48</u>	<u>\$2.20-\$2.40</u>

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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 the closure of its PCS facility in China.
- (2) These items were related primarily to: (i) an asset impairment associated with the Company's RMS large model operations; (ii) costs associated with corporate legal entity restructuring; (iii) exiting a defined benefit plan in RMS Japan; (iv) an adjustment of contingent consideration related to acquisitions; and (v) a gain related to the disposition of its RMS Discovery Services facility in Michigan.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP UNALLOCATED CORPORATE OVERHEAD GUIDANCE

	<u>Fiscal Year Ended</u> December 31, 2011E
GAAP Unallocated Corporate Overhead	~6.0%
Gain on settlement of life insurance policy and other charges	~0.5%
Non-GAAP Unallocated Corporate Overhead	<u>~6.5%</u>

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

	<u>Three Months Ended</u>		
	June 25, 2011	June 26, 2010	March 26, 2011
GAAP Interest Expense, net	\$ 10,101	\$ 6,843	\$ 9,652
Exclude:			
Convertible debt accounting, net	(3,333)	(3,112)	(3,280)
Costs associated with the evaluation of acquisitions	-	(1,033)	-
Non-GAAP Interest Expense, net	<u>\$ 6,768</u>	<u>\$ 2,698</u>	<u>\$ 6,372</u>

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

Fiscal Year Ended
December 31,
2011

GAAP Interest Expense, net	\$40,000-\$42,000
Exclude:	
Convertible debt accounting, net	<u>~(14,000)</u>
Non-GAAP Interest Expense, net	<u><u>\$26,000-\$28,000</u></u>

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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		Six Months Ended	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
Net income (loss) from continuing operations before income taxes & noncontrolling interest	\$ 42,805	\$ 22,404	\$ 75,467	\$ 46,479
Add back:				
Amortization related to acquisitions	5,797	5,540	11,177	12,219
Severance related to cost-savings actions	900	2,143	1,392	4,815
Impairment and other charges (2)	478	(41)	941	945
Adjustment of contingent consideration related to acquisitions	(1,206)	-	(1,206)	-
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,660	3,482	5,447	6,953
Costs associated with the evaluation of acquisitions	-	8,313	-	8,430
Gain on settlement of life insurance policy	(7,710)	-	(7,710)	-
Fees associated with corporate subsidiary restructuring	983	-	983	-
Convertible debt accounting, net (3)	<u>3,387</u>	<u>3,166</u>	<u>6,720</u>	<u>6,282</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 48,094</u>	<u>\$ 45,007</u>	<u>\$ 93,211</u>	<u>\$ 86,123</u>
Provision for income taxes (GAAP)	\$ 8,649	\$ 7,170	\$ 5,934	\$ 13,907
Tax effect on amortization, severance, impairment and other charges	3,419	7,994	6,901	13,399
Tax costs associated with corporate subsidiary repatriation	-	(2,690)	-	(2,690)
Tax benefit from disposition of Phase 1 clinical business	-	-	11,111	-
Provision for income taxes (Non-GAAP)	<u>\$ 12,068</u>	<u>\$ 12,474</u>	<u>\$ 23,946</u>	<u>\$ 24,616</u>
Tax rate (GAAP)	20.2%	32.0%	7.9%	29.9%
Tax rate, excluding specified charges (Non-GAAP)	25.1%	27.7%	25.7%	28.6%

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- (3) The three and six months ended June 25, 2011 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,333 and \$6,613 and depreciation expense by \$53 and \$107, respectively. The three and six months ended June 26, 2010 include the impact of convertible debt accounting which increased interest expense by \$3,113 and \$6,175 and depreciation expense by \$53 and \$107, 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> <u>March 26,</u> <u>2011</u>
Net income (loss) from continuing operations before income taxes & noncontrolling interest	\$ 32,662
Add back:	
Amortization related to acquisitions	5,380
Severance related to cost-savings actions	492
Impairment and other charges (2)	463
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,787
Costs associated with the evaluation of acquisitions	-
Convertible debt accounting, net (3)	<u>3,333</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 45,117</u>
Provision for income taxes (GAAP)	\$ (2,715)
Tax effect on amortization, severance, impairment and other charges	3,482
Tax benefit from worthless stock deduction	<u>11,111</u>
Provision for income taxes (Non-GAAP)	\$ 11,878
Tax rate (GAAP)	(8.3)%
Tax rate, excluding specified charges (Non-GAAP)	26.3%

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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.
- (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.

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

	<u>Fiscal Year Ended</u> December 31, 2011E
GAAP Tax Rate	14.5%-15.5%
Amortization of intangible assets, severance costs and operating losses, impairment and other charges, convertible debt accounting, tax benefit related to Phase I clinical disposition, and tax-free gain on settlement of life insurance policy	~11%
Non-GAAP Tax Rate	<hr/> 25.5%-26.5% <hr/>

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>		<u>Fiscal Year Ended</u>
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010	December 31, 2011E
Net cash provided by operating activities	\$ 65,304	\$ 56,006	\$ 86,697	\$ 83,942	\$215,000-\$225,000
Less: Capital expenditures	<u>(6,660)</u>	<u>(8,432)</u>	<u>(13,450)</u>	<u>(17,725)</u>	~(50,000)
Free cash flow	<u>\$ 58,644</u>	<u>\$ 47,574</u>	<u>\$ 73,247</u>	<u>\$ 66,217</u>	<u>\$165,000-\$175,000</u>

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NON-GAAP RECONCILIATION OF LEVERAGE RATIO (TOTAL DEBT-TO-EBITDA LEVERAGE RATIO) ⁽¹⁾
(dollars in thousands)

Total Debt ⁽²⁾

	June 25, 2011
Long-term debt and capital leases ⁽³⁾	\$731,418
Add: Current portion of long-term debt and capital leases	57,994
Total Debt	\$789,412

Non-GAAP EBITDA for Last Twelve Months ended June 25, 2011

	LTM ⁽⁴⁾ period ended June 25, 2011	Six Months Ended June 25, 2011	Six Months Ended June 26, 2010	Fiscal Year ended Dec. 25, 2010
Net income attributable to common shareowners	(304,852)	\$ 63,653	\$ 31,836	\$ (336,669)
Less: Income from discontinued operations	12,212	5,677	1,477	8,012
Add: Provision for income taxes	(7,950)	5,934	13,907	23
Add: Interest expense, net	41,348	19,753	12,498	34,093
Add: Other expense (income)	620	345	1,202	1,477
Add: Depreciation	66,862	31,904	34,286	69,244
Non-GAAP items:				
Amortization related to acquisitions	23,363	11,177	12,219	24,405
Severance related to cost-savings actions	13,081	1,392	4,815	16,504
Impairment and other charges	392,092	941	945	392,096
Adjustment of contingent consideration related to acquisitions	(5,541)	(1,206)	0	(4,335)
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	11,881	5,447	6,953	13,387
Costs associated with the evaluation of acquisitions	(628)	0	7,397	6,769
Gain on settlement of life insurance policy	(7,710)	(7,710)	0	0
Fees associated with corporate subsidiary restructuring and repatriation	1,376	983	0	393
WuXi PharmaTech termination fee	30,000	0	0	30,000
Non-GAAP EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization)	\$ 266,154	\$ 138,290	\$ 127,535	\$ 255,399

TOTAL DEBT-TO-EBITDA RATIO (= Total Debt ÷ LTM Non-GAAP EBITDA) 3.0 x

(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) Includes capital lease obligations.

(3) Includes the impact of convertible debt accounting which reduced long-term debt by \$28,831.

(4) LTM (Last Twelve Months) period calculated by taking Fiscal Year Ended Dec. 25, 2010, adding Six Months Ended June 25, 2011, and subtracting Six Months Ended June 26, 2010.



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