

# **4Q11 & FY11 Results**

## **Regulation G Financial Reconciliations**

**Charles River Laboratories International, Inc.**

February 13, 2012

**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>Twelve Months Ended</u>	
	December 31, 2011	December 25, 2010	December 31, 2011	December 25, 2010
<b>Research Models and Services</b>				
Net sales	\$ 182,414	\$ 168,382	\$ 705,419	\$ 666,986
Operating income	50,352	44,405	206,319	184,464
Operating income as a % of net sales	27.6%	26.4%	29.2%	27.7%
Add back:				
Amortization related to acquisitions	1,755	1,824	6,747	7,349
Severance related to cost-savings actions	752	4,238	1,196	4,429
Impairment and other items (2)	(257)	846	312	846
Operating income, excluding specified charges (Non-GAAP)	\$ 52,602	\$ 51,313	\$ 214,574	\$ 197,088
Non-GAAP operating income as a % of net sales	28.8%	30.5%	30.4%	29.5%
<b>Preclinical Services</b>				
Net sales	\$ 108,548	\$ 113,270	\$ 437,228	\$ 466,430
Operating income	4,081	(391,842)	24,925	(379,726)
Operating income as a % of net sales	3.8%	-345.9%	5.7%	-81.4%
Add back:				
Amortization related to acquisitions	3,586	4,335	15,048	17,056
Severance related to cost-savings actions	3,393	4,277	4,372	9,145
Adjustment of SPC contingent consideration and related items (3)	4,879	7,200	4,879	7,200
Impairment and other items (2)	425	386,999	425	388,347
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	(2,297)	2,662	5,580	13,387
Operating income, excluding specified charges (Non-GAAP)	\$ 14,067	\$ 13,631	\$ 55,229	\$ 55,409
Non-GAAP operating income as a % of net sales	13.0%	12.0%	12.6%	11.9%
<b>Unallocated Corporate Overhead</b>				
Add back:				
Severance related to cost-savings actions	-	2,418	(106)	2,930
Impairment and other items (2)	(532)	-	(264)	-
Adjustment of SPC contingent consideration and related items (3)	(4,394)	(1,405)	(5,600)	(4,335)
Costs related to PCS China	485	-	891	-
Costs associated with the evaluation of acquisitions	65	182	215	6,769
Acquisition agreement termination fee	-	-	-	30,000
Gain on settlement of life insurance policy	-	-	(7,710)	-
Costs associated with corporate legal entity restructuring & repatriation	145	-	930	393
Convertible debt accounting (4)	53	53	213	213
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (16,964)	\$ (16,474)	\$ (68,369)	\$ (67,280)
<b>Total</b>				
Net sales	\$ 290,962	\$ 281,652	\$ 1,142,647	\$ 1,133,416
Operating income	41,647	(365,159)	174,306	(298,512)
Operating income as a % of net sales	14.3%	-129.6%	15.3%	-26.3%
Add back:				
Amortization related to acquisitions	5,341	6,159	21,795	24,405
Severance related to cost-savings actions	4,145	10,933	5,462	16,504
Adjustment of SPC contingent consideration and related items (3)	485	5,795	(721)	2,865
Impairment and other items (2)	(364)	387,845	473	389,193
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	(1,812)	2,662	6,471	13,387
Costs associated with the evaluation of acquisitions	65	182	215	6,769
Acquisition agreement termination fee	-	-	-	30,000
Gain on settlement of life insurance policy	-	-	(7,710)	-
Costs associated with corporate legal entity restructuring & repatriation	145	-	930	393
Convertible debt accounting (4)	53	53	213	213
Operating income, excluding specified charges (Non-GAAP)	\$ 49,705	\$ 48,470	\$ 201,434	\$ 185,217
Non-GAAP operating income as a % of net sales	17.1%	17.2%	17.6%	16.3%

(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) The twelve months ended December 31, 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. The three and twelve month periods ended December 25, 2010 include items primarily related to goodwill and asset impairments associated with the Company's PCS business segment.

(3) The three and twelve month periods ended December 31, 2011 include an impairment of in-process research and development and a deferred revenue reversal related to Systems Pathology Company, LLC (SPC). The three and twelve month periods ended December 25, 2010 include an impairment of in-process research and development related to SPC.

(4) 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> <u>September 24,</u> <u>2011</u>
<b>Research Models and Services</b>	
Net sales	\$ 171,471
Operating income	48,534
Operating income as a % of net sales	28.3%
Add back:	
Amortization related to acquisitions	1,586
Severance related to cost-savings actions	2
Impairment and other items (2)	(372)
Operating income, excluding specified charges (Non-GAAP)	\$ 49,750
Non-GAAP operating income as a % of net sales	29.0%
<b>Preclinical Services</b>	
Net sales	\$ 106,108
Operating income	3,663
Operating income as a % of net sales	3.5%
Add back:	
Amortization related to acquisitions	3,691
Severance related to cost-savings actions	(5)
Impairment and other items (2)	-
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,571
Operating income, excluding specified charges (Non-GAAP)	\$ 9,920
Non-GAAP operating income as a % of net sales	9.3%
<b>Unallocated Corporate Overhead</b>	
Add back:	
Severance related to cost-savings actions	(72)
Impairment and other items (2)	268
Adjustment of contingent consideration related to acquisitions	-
Costs related to PCS China	265
Costs associated with the evaluation of acquisitions	150
Acquisition agreement termination fee	-
Repatriation fees	-
Gain on settlement of life insurance policy	-
Costs associated with corporate legal entity restructuring	(198)
Convertible debt accounting (3)	53
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (14,637)
<b>Total</b>	
Net sales	\$ 277,579
Operating income	37,094
Operating income as a % of net sales	13.4%
Add back:	
Amortization related to acquisitions	5,277
Severance related to cost-savings actions	(75)
Adjustment of contingent consideration related to acquisitions	-
Goodwill impairment	-
Impairment and other items (2)	(104)
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,571
Costs related to PCS China	265
Costs associated with the evaluation of acquisitions	150
Acquisition agreement termination fee	-
Repatriation fees	-
Gain on settlement of life insurance policy	-
Costs associated with corporate legal entity restructuring	(198)
Convertible debt accounting (3)	53
Operating income, excluding specified charges (Non-GAAP)	\$ 45,033
Non-GAAP operating income as a % of net sales	16.2%

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(2) The three months ended September 24, 2011 includes a gain on the disposition of an RMS facility in Europe and costs to exit a leased corporate 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 EARNINGS TO NON-GAAP EARNINGS (1)**  
(dollars in thousands, except for per share data)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	December 31, 2011	December 25, 2010	December 31, 2011	December 25, 2010
Net income attributable to common shareholders	\$ 27,115	\$ (343,564)	\$ 109,566	\$ (336,669)
Less: Discontinued operations	(150)	5,549	5,545	8,012
Net income from continuing operations	26,965	(338,015)	115,111	(328,657)
Add back:				
Amortization related to acquisitions	5,341	6,159	21,795	24,405
Severance related to cost-savings actions	4,145	10,933	5,462	16,504
Impairment and other items (2)	(364)	383,548	473	384,896
Adjustment of SPC contingent consideration and related items (3)	485	5,795	(721)	2,865
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	(1,812)	2,662	6,471	13,387
Costs associated with the evaluation of acquisitions	65	182	215	8,319
Acquisition agreement termination fee	-	-	-	30,000
Gain on settlement of life insurance policy	-	-	(7,710)	-
Writeoff of deferred financing costs related to debt extinguishment	-	-	1,450	4,542
Costs and taxes associated with corporate legal entity restructuring & repatriation	145	-	1,637	15,689
Convertible debt accounting, net (4)	3,762	3,333	13,978	12,948
Tax benefit from disposition of Phase I clinical business	-	-	(11,111)	-
Tax effect	(5,162)	(40,056)	(15,710)	(59,274)
Net income, excluding specified charges (Non-GAAP)	<u>\$ 33,569</u>	<u>\$ 34,541</u>	<u>\$ 131,340</u>	<u>\$ 125,624</u>
Weighted average shares outstanding - Basic	48,670,624	56,886,053	50,823,063	62,561,294
Effect of dilutive securities:				
Stock options and contingently issued restricted stock	236,654	487,130	495,179	558,229
Weighted average shares outstanding - Diluted	<u>48,907,278</u>	<u>57,373,183</u>	<u>51,318,242</u>	<u>63,119,523</u>
Basic earnings per share	\$ 0.56	\$ (6.04)	\$ 2.16	\$ (5.38)
Diluted earnings per share	\$ 0.55	\$ (6.04)	\$ 2.14	\$ (5.38)
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 0.69	\$ 0.61	\$ 2.58	\$ 2.01
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 0.69	\$ 0.60	\$ 2.56	\$ 1.99

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- (2) The twelve months ended December 31, 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. The three and twelve month periods ended December 25, 2010 include items primarily related to goodwill and asset impairments associated with the Company's PCS business segment.
- (3) The three and twelve month periods ended December 31, 2011 include an impairment of in-process research and development and a deferred revenue reversal related to Systems Pathology Company, LLC (SPC). The three and twelve month periods ended December 25, 2010 include an impairment of in-process research and development related to SPC.
- (4) The three and twelve months ended December 31, 2011 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,709 and \$13,765 and depreciation expense by \$53 and \$213, respectively. The three and twelve 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 \$12,735 and depreciation expense by \$53 and \$213, 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>September 24,</u> <u>2011</u>
Net income (loss) attributable to common shareholders	\$ 18,798
Less: Discontinued operations	<u>18</u>
Net income (loss) from continuing operations	18,816
Add back:	
Amortization related to acquisitions	5,277
Severance related to cost-savings actions	(75)
Impairment and other items (2)	(104)
Adjustment of contingent consideration related to acquisitions	-
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,836
Costs associated with the evaluation of acquisitions	150
Acquisition agreement termination fee	-
Gain on settlement of life insurance policy	-
Write-off of deferred financing costs related to amended credit agreement	1,450
Fees and tax costs associated with corporate subsidiary restructuring and repatriation	509
Convertible debt accounting, net (3)	3,496
Tax benefit from disposition of Phase I clinical business	-
Tax effect	<u>(3,647)</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 28,708</u>
Weighted average shares outstanding - Basic	50,084,850
Effect of dilutive securities:	
Stock options and contingently issued restricted stock	<u>448,897</u>
Weighted average shares outstanding - Diluted	<u>50,533,747</u>
Basic earnings (loss) per share	\$ 0.38
Diluted earnings (loss) per share	\$ 0.37
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 0.57
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 0.57

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- (2) The three months ended September 24, 2011 includes a gain on the disposition of an RMS facility in Europe and costs to exit a leased corporate facility.
- (3) The three months ended September 24, 2011 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,443 and depreciation expense by \$53.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF NET SALES GROWTH (YEAR-OVER-YEAR) EXCLUDING THE IMPACT OF FOREIGN EXCHANGE (FX)**  
**For the Three Months Ended December 31, 2011**

	<u><b>Total CRL</b></u>	<u><b>RMS Segment</b></u>	<u><b>PCS Segment</b></u>
<b>Net sales growth, reported</b>	<b>3.3%</b>	<b>8.3%</b>	<b>(4.2%)</b>
Impact of foreign exchange	(0.2%)	(0.4%)	0.3%
<b>Net sales growth, constant currency</b>	<b>3.1%</b>	<b>7.9%</b>	<b>(3.9%)</b>

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**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF NET SALES GROWTH (YEAR-OVER-YEAR) EXCLUDING THE IMPACT OF THE 53rd WEEK**  
**For the Three Months Ended December 31, 2011**

	<u><b>Total CRL</b></u>	<u><b>RMS Segment</b></u>	<u><b>PCS Segment</b></u>
<b>Net sales growth, reported</b>	<b>3.3%</b>	<b>8.3%</b>	<b>(4.2%)</b>
Benefit of the 53rd week	~(4.5%)	~(4.5%)	~(4%)
<b>Net sales growth, excluding 53rd week impact</b>	<u><u><b>~(1%)</b></u></u>	<u><u><b>~4%</b></u></u>	<u><u><b>~(8%)</b></u></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 29, 2012E**

	<u><b>2012E Guidance</b></u>
<b>GAAP EPS Estimate</b>	<b>\$2.10 - \$2.20</b>
Add back:	
Amortization of intangible assets	\$0.25
Operating losses (1)	\$0.05
Convertible debt accounting	\$0.20
<b>Non-GAAP EPS Estimate</b>	<b>\$2.60 - \$2.70</b>

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



**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP NET INTEREST EXPENSE**

(dollars in thousands)

	Three Months Ended			Fiscal Year Ended
	December 31, 2011	September 24, 2011	December 25, 2010	December 29, 2012E
GAAP Interest Expense, net	\$ 9,674	\$ 11,806	\$ 9,197	\$37,000-\$39,000
Exclude:				
Convertible debt accounting, net	(3,709)	(3,443)	(3,280)	~(15,000)
Write-off of deferred financing costs related to debt extinguishment	-	(1,450)	-	-
Non-GAAP Interest Expense, net	\$ 5,965	\$ 6,913	\$ 5,917	\$22,000-\$24,000

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**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 31, 2011	December 25, 2010	December 31, 2011	December 25, 2010
Net income (loss) from continuing operations before income taxes and noncontrolling interest	\$ 32,655	\$ (372,983)	\$ 132,663	\$ (334,082)
Add back:				
Amortization related to acquisitions	5,341	6,159	21,795	24,405
Severance related to cost-savings actions	4,145	10,933	5,462	16,504
Impairment and other items (2)	(364)	387,845	473	389,193
Adjustment of SPC contingent consideration and related items (3)	485	5,795	(721)	2,865
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	(1,812)	2,662	6,471	13,387
Costs associated with the evaluation of acquisitions	65	182	215	8,319
Acquisition agreement termination fee	-	-	-	30,000
Gain on settlement of life insurance policy	-	-	(7,710)	-
Writeoff of deferred financing costs related to debt extinguishment	-	-	1,450	4,542
Fees associated with corporate legal entity restructuring & repatriation	145	-	930	393
Convertible debt accounting, net (4)	3,762	3,333	13,978	12,948
Income before income tax and noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 44,421</u>	<u>\$ 43,926</u>	<u>\$ 175,006</u>	<u>\$ 168,474</u>
Provision for income taxes (GAAP)	\$ 5,576	\$ (30,554)	\$ 17,140	\$ 23
Tax effect on amortization, severance, impairment and other charges	5,162	40,056	15,710	59,274
Tax cost associated with corporate legal entity repatriation	-	-	(707)	(15,296)
Tax benefit from disposition of Phase 1 clinical business	-	-	11,111	-
Provision for income taxes (Non-GAAP)	<u>\$ 10,738</u>	<u>\$ 9,502</u>	<u>\$ 43,254</u>	<u>\$ 44,001</u>
Tax rate (GAAP)	17.1%	8.2%	12.9%	0.0%
Tax rate, excluding specified charges (Non-GAAP)	24.2%	21.6%	24.7%	26.1%

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**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>September 24,</u> <u>2011</u>
Net income (loss) from continuing operations before income taxes & noncontrolling interest	\$ 24,541
Add back:	
Amortization related to acquisitions	5,277
Severance related to cost-savings actions	(75)
Impairment and other items (2)	(104)
Adjustment of contingent consideration related to acquisitions	-
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	2,836
Costs associated with the evaluation of acquisitions	150
Acquisition agreement termination fee	-
Gain on settlement of life insurance policy	-
Write-off of deferred financing costs related to amended credit agreement	1,450
Fees associated with corporate subsidiary restructuring and repatriation	(198)
Convertible debt accounting, net (3)	<u>3,496</u>
Income before income tax and noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 37,373</u>
Provision for income taxes (GAAP)	\$ 5,630
Tax effect on amortization, severance, impairment and other charges	3,647
Tax costs associated with corporate subsidiary repatriation	(707)
Tax benefit from disposition of Phase 1 clinical business	<u>-</u>
Provision for income taxes (Non-GAAP)	\$ 8,570
Tax rate (GAAP)	22.9%
Tax rate, excluding specified charges (Non-GAAP)	22.9%

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- (2) The three months ended September 24, 2011 includes a gain on the disposition of an RMS facility in Europe and costs to exit a leased corporate facility.
- (3) The three months ended September 24, 2011 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,443 and depreciation expense by \$53.

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

	<b><u>Fiscal Year Ended</u></b> <b>December 29,</b> <b>2012E</b>
<b>GAAP Tax Rate</b>	<b>25.0%-26.0%</b>
Amortization of intangible assets, operating losses primarily related to PCS Massachusetts, and convertible debt accounting	~1.5%
<b>Non-GAAP Tax Rate</b>	<b><u>26.5%-27.5%</u></b>

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.

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>		<u>Fiscal Year Ended</u> <u>December 29,</u> <u>2012E</u>
	<u>December 31,</u> <u>2011</u>	<u>December 25,</u> <u>2010</u>	<u>December 31,</u> <u>2011</u>	<u>December 25,</u> <u>2010</u>	
Net cash provided by operating activities	\$ 72,053	\$ 67,467	\$ 206,998	\$ 168,236	\$210,000-\$220,000
Add: Acquisition agreement termination fee	-	-	-	30,000	-
Less: Capital expenditures	<u>(27,471)</u>	<u>(16,008)</u>	<u>(49,143)</u>	<u>(42,860)</u>	<u>~(50,000)</u>
Free cash flow	<u>\$ 44,582</u>	<u>\$ 51,459</u>	<u>\$ 157,855</u>	<u>\$ 155,376</u>	<u>\$160,000-\$170,000</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.



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**NYSE**