

1Q12 Results

Regulation G Financial Reconciliations

Charles River Laboratories International, Inc.

May 2, 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>March 31,</u>	<u>March 26,</u>
	<u>2012</u>	<u>2011</u>
Research Models and Services		
Net sales	\$ 183,152	\$ 173,371
Operating income	59,467	51,742
Operating income as a % of net sales	32.5%	29.8%
Add back:		
Amortization related to acquisitions	1,500	1,707
Severance related to cost-savings actions	-	229
Impairment and other items (2)	-	463
Operating income, excluding specified charges (Non-GAAP)	\$ 60,967	\$ 54,141
Non-GAAP operating income as a % of net sales	33.3%	31.2%
Preclinical Services		
Net sales	\$ 102,829	\$ 112,472
Operating income	4,174	9,306
Operating income as a % of net sales	4.1%	8.3%
Add back:		
Amortization related to acquisitions	2,996	3,673
Severance related to cost-savings actions	911	257
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	1,054	2,646
Operating income, excluding specified charges (Non-GAAP)	\$ 9,135	\$ 15,882
Non-GAAP operating income as a % of net sales	8.9%	14.1%
Unallocated Corporate Overhead		
	\$ (19,901)	\$ (18,797)
Add back:		
Severance related to cost-savings actions	-	6
Costs related to PCS China	-	141
Costs associated with the evaluation of acquisitions	232	-
Convertible debt accounting (3)	53	53
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (19,616)	\$ (18,597)
Total		
Net sales	\$ 285,981	\$ 285,843
Operating income	43,740	42,251
Operating income as a % of net sales	15.3%	14.8%
Add back:		
Amortization related to acquisitions	4,496	5,380
Severance related to cost-savings actions	911	492
Impairment and other items (2)	-	463
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	1,054	2,787
Costs associated with the evaluation of acquisitions	232	-
Convertible debt accounting (3)	53	53
Operating income, excluding specified charges (Non-GAAP)	\$ 50,486	\$ 51,426
Non-GAAP operating income as a % of net sales	17.7%	18.0%

- (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 months ended March 26, 2011 include: (i) costs associated with exiting a defined benefit plan in RMS Japan; and (ii) asset impairments associated with 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 TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) (1)
(dollars in thousands)

	<u>Three Months Ended</u>	
	<u>December 31,</u>	
	<u>2011</u>	
Research Models and Services		
Net sales	\$	182,414
Operating income		50,352
Operating income as a % of net sales		27.6%
Add back:		
Amortization related to acquisitions		1,755
Severance related to cost-savings actions		752
Impairment and other items (2)		(257)
Operating income, excluding specified charges (Non-GAAP)	\$	52,602
Non-GAAP operating income as a % of net sales		28.8%
Preclinical Services		
Net sales	\$	108,548
Operating income		4,081
Operating income as a % of net sales		3.8%
Add back:		
Amortization related to acquisitions		3,586
Severance related to cost-savings actions		3,393
Adjustment of SPC contingent consideration and related items (3)		4,879
Impairment and other items (2)		425
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas		(2,297)
Operating income, excluding specified charges (Non-GAAP)	\$	14,067
Non-GAAP operating income as a % of net sales		13.0%
Unallocated Corporate Overhead		
Add back:		
Severance related to cost-savings actions		-
Impairment and other items (2)		(532)
Adjustment of SPC contingent consideration and related items (3)		(4,394)
Costs related to PCS China		485
Costs associated with the evaluation of acquisitions		65
Acquisition agreement termination fee		-
Gain on settlement of life insurance policy		-
Costs associated with corporate legal entity restructuring & repatriation		145
Convertible debt accounting (4)		53
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$	(16,964)
Total		
Net sales	\$	290,962
Operating income		41,647
Operating income as a % of net sales		14.3%
Add back:		
Amortization related to acquisitions		5,341
Severance related to cost-savings actions		4,145
Adjustment of SPC contingent consideration and related items (3)		485
Impairment and other items (2)		(364)
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas		(1,812)
Costs associated with the evaluation of acquisitions		65
Acquisition agreement termination fee		-
Gain on settlement of life insurance policy		-
Costs associated with corporate legal entity restructuring & repatriation		145
Convertible debt accounting (4)		53
Operating income, excluding specified charges (Non-GAAP)	\$	49,705
Non-GAAP operating income as a % of net sales		17.1%

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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) 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 31,</u>	<u>March 26,</u>
	<u>2012</u>	<u>2011</u>
Net income attributable to common shareholders	\$ 26,439	\$ 31,335
Less: Discontinued operations	<u>(77)</u>	<u>3,945</u>
Net income from continuing operations	26,362	35,280
Add back:		
Amortization related to acquisitions	4,496	5,380
Severance related to cost-savings actions	911	492
Impairment and other items (2)	-	463
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	1,362	2,787
Costs associated with the evaluation of acquisitions	232	-
Loss on sale of auction rate securities	712	-
Convertible debt accounting, net (3)	3,497	3,333
Tax benefit from disposition of Phase 1 clinical business	-	(11,111)
Tax effect	<u>(3,659)</u>	<u>(3,482)</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 33,913</u>	<u>\$ 33,142</u>
Weighted average shares outstanding - Basic	48,254,950	53,937,948
Effect of dilutive securities:		
Stock options and contingently issued restricted stock	516,793	659,792
Weighted average shares outstanding - Diluted	<u>48,771,743</u>	<u>54,597,740</u>
Basic earnings per share	\$ 0.55	\$ 0.58
Diluted earnings per share	\$ 0.54	\$ 0.57
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 0.70	\$ 0.61
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 0.70	\$ 0.61

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- (2) The three months ended March 26, 2011 include: (i) costs associated with exiting a defined benefit plan in RMS Japan; and (ii) asset impairments associated with the consolidation of the Company's RMS Discovery Services operations.
- (3) The three months ended March 31, 2012 and March 26, 2011 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$3,444 and \$3,280 and depreciation expense by \$53 and \$53, 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>December 31,</u> <u>2011</u>
Net income attributable to common shareholders	\$ 27,115
Less: Discontinued operations	(150)
Net income from continuing operations	26,965
Add back:	
Amortization related to acquisitions	5,341
Severance related to cost-savings actions	4,145
Impairment and other items (2)	(364)
Adjustment of SPC contingent consideration and related items (3)	485
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	(1,812)
Costs associated with the evaluation of acquisitions	65
Acquisition agreement termination fee	-
Gain on settlement of life insurance policy	-
Writeoff of deferred financing costs related to debt extinguishment	-
Costs and taxes associated with corporate legal entity restructuring & repatriation	145
Convertible debt accounting, net (4)	3,762
Tax benefit from disposition of Phase I clinical business	-
Tax effect	(5,162)
Net income, excluding specified charges (Non-GAAP)	\$ 33,569
Weighted average shares outstanding - Basic	48,670,624
Effect of dilutive securities:	
Stock options and contingently issued restricted stock	236,654
Weighted average shares outstanding - Diluted	48,907,278
Basic earnings per share	\$ 0.56
Diluted earnings per share	\$ 0.55
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 0.69
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 0.69

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- (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 NET SALES GROWTH (YEAR-OVER-YEAR) EXCLUDING THE IMPACT OF FOREIGN EXCHANGE (FX) (1)
For the Three Months Ended March 31, 2012

	<u>Total CRL</u>	<u>RMS Segment</u>	<u>PCS Segment</u>
Net sales growth, reported	0.0%	5.6%	(8.6%)
Impact of foreign exchange	(1.0%)	(0.9%)	(1.0%)
Net sales growth, constant currency	1.0%	6.5%	(7.6%)

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF NET SALES GROWTH (SEQUENTIAL VS. 4Q11) EXCLUDING THE IMPACT OF THE 53rd WEEK
For the Three Months Ended March 31, 2012

	<u>Total CRL</u>	<u>RMS Segment</u>	<u>PCS Segment</u>
Sequential net sales growth, reported	(1.7%)	0.4%	(5.3%)
Impact of the 53rd week in 4Q11	~(4.5%)	~(4.5%)	~(4%)
Sequential net sales growth, excluding 53rd week impact	<u><u>~3%</u></u>	<u><u>~5%</u></u>	<u><u>~(1%)</u></u>

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF PRECLINICAL SERVICES (PCS) NON-GAAP OPERATING MARGIN ADJUSTMENTS

	<u>1Q12</u>	<u>4Q11</u>
Preclinical Services (PCS) non-GAAP operating margin (reported)	8.9%	13.0%
Impact of 4Q11 PCS non-income based tax adjustment	--	(1.6%)
Adjustment to normalize for 1Q12 BPS operating margin *	1.8%	--
Preclinical Services (PCS) non-GAAP operating margin (adjusted)	<u>10.7%</u>	<u>11.4%</u>

* Normalizes for 1Q12 Biopharmaceutical Services (BPS) non-GAAP operating margin by assuming the BPS operating margin was flat from the 4Q11 level.

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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>2012E Guidance</u>
GAAP EPS Estimate	\$2.10 - \$2.20
Add back:	
Amortization of intangible assets	\$0.25
Operating losses (1)	\$0.05
Severance costs and other items (2)	\$0.03
Convertible debt accounting	\$0.20
Non-GAAP EPS Estimate	<u><u>\$2.60 - \$2.70</u></u>

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

(2) Severance costs and other items were added to the reconciliation in the first quarter of 2012. Other items primarily include costs associated with the evaluation of acquisitions and a loss on the sale of auction rate securities.

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

	Three Months Ended			Fiscal Year Ended
	March 31, 2012	December 31, 2011	March 26, 2011	December 29, 2012E
GAAP Interest Expense, net	\$ 8,250	\$ 9,674	\$ 9,652	\$35,000-\$37,000
Exclude:				
Convertible debt accounting, net	(3,444)	(3,709)	(3,280)	~(15,000)
Non-GAAP Interest Expense, net	<u>\$ 4,806</u>	<u>\$ 5,965</u>	<u>\$ 6,372</u>	<u>\$20,000-\$22,000</u>

	Three Months Ended		
	March 31, 2012	December 31, 2011	March 26, 2011
GAAP Other Expense/(Income)	\$ 344	\$ (681)	\$ (63)
Exclude:			
Loss on sales of auction rate securities	(712)	-	-
Adjustment related to PCS China	(308)	-	-
Non-GAAP Other Expense/(Income)	<u>\$ (676)</u>	<u>\$ (681)</u>	<u>\$ (63)</u>

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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>March 31,</u>	<u>March 26,</u>
	<u>2012</u>	<u>2011</u>
Income from continuing operations before income taxes & noncontrolling interest	\$ 35,146	\$ 32,662
Add back:		
Amortization related to acquisitions	4,496	5,380
Severance related to cost-savings actions	911	492
Impairment and other charges (2)	-	463
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas	1,362	2,787
Costs associated with the evaluation of acquisitions	232	-
Loss on sale of Auction rate Securities	712	-
Convertible debt accounting, net (3)	<u>3,497</u>	<u>3,333</u>
Income before taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 46,356</u>	<u>\$ 45,117</u>
Provision for income taxes (GAAP)	\$ 8,676	\$ (2,715)
Tax effect on amortization, severance, impairment and other charges	3,659	3,482
Tax benefit from the disposition of Phase I clinical business	<u>-</u>	<u>11,111</u>
Provision for income taxes (Non-GAAP)	\$ 12,335	\$ 11,878
Tax rate (GAAP)	24.7%	-8.3%
Tax rate, excluding specified charges (Non-GAAP)	26.6%	26.3%

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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>December 31,</u> <u>2011</u>
Net income (loss) from continuing operations before income taxes and noncontrolling interest	\$	32,655
Add back:		
Amortization related to acquisitions		5,341
Severance related to cost-savings actions		4,145
Impairment and other items (2)		(364)
Adjustment of SPC contingent consideration and related items (3)		485
Operating losses for PCS China, PCS Massachusetts and PCS Arkansas		(1,812)
Costs associated with the evaluation of acquisitions		65
Acquisition agreement termination fee		-
Gain on settlement of life insurance policy		-
Writeoff of deferred financing costs related to debt extinguishment		-
Fees associated with corporate legal entity restructuring & repatriation		145
Convertible debt accounting, net (4)		<u>3,762</u>
Income before income tax and noncontrolling interests, excluding specified charges (Non-GAAP)	\$	<u>44,421</u>
Provision for income taxes (GAAP)	\$	5,576
Tax effect on amortization, severance, impairment and other charges		5,162
Tax cost associated with corporate legal entity repatriation		-
Tax benefit from disposition of Phase 1 clinical business		-
Provision for income taxes (Non-GAAP)	\$	<u>10,738</u>
Tax rate (GAAP)		17.1%
Tax rate, excluding specified charges (Non-GAAP)		24.2%

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

	<u>Fiscal Year Ended</u> December 29, 2012E
GAAP Tax Rate	25.0%-26.0%
Amortization of intangible assets, operating losses primarily related to PCS Massachusetts, severance costs and other items, and convertible debt accounting	~1.5%
Non-GAAP Tax Rate	<hr/> <hr/> 26.5%-27.5% <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>March 31,</u> <u>2012</u>	<u>March 26,</u> <u>2011</u>	<u>December 29,</u> <u>2012E</u>
Net cash provided by operating activities	\$ 25,277	\$ 21,393	\$210,000-\$220,000
Less: Capital expenditures	(14,112)	(6,789)	~(50,000)
Free cash flow	<u>\$ 11,165</u>	<u>\$ 14,604</u>	<u>\$160,000-\$170,000</u>

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