

1Q15 Results Regulation G Financial Reconciliations & Appendix

Charles River Laboratories International, Inc.
April 29, 2015

Revenue Breakout by Product/Service Line*

(\$ in millions)	1Q15	1Q14	YOY Δ	Less: FX	YOY Δ ex. FX
RMS Segment	\$120.0	\$132.5	(9.4%)	(6.8%)	(2.6%)
DSA Segment	\$140.0	\$105.1	33.2%	(3.1%)	36.3%
EMD	\$32.8	\$32.5	1.1%	(8.8%)	9.9%
Other Mfg. Support**	<u>\$27.6</u>	<u>\$29.3</u>	(5.8%)	(6.9%)	1.1%
Total Mfg. Support	\$60.4	\$61.7	(2.2%)	(7.9%)	5.7%
Total Revenue	\$320.4	\$299.4	7.0%	(5.8%)	12.8%

* May not add due to rounding.

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

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

	Three Months Ended	
	March 28, 2015	March 29, 2014
Research Models and Services		
Revenue	\$ 120,011	\$ 132,495
Operating income	28,845	35,444
Operating income as a % of revenue	24.0 %	26.8 %
Add back:		
Amortization of intangible assets related to acquisitions	766	938
Severance	919	1,584
Government billing adjustment and related expenses	244	67
Site consolidation costs, impairments and other items	798	992
Operating income, excluding specified charges (Non-GAAP)	\$ 31,572	\$ 39,025
Non-GAAP operating income as a % of revenue	26.3 %	29.5 %
Discovery and Safety Assessment		
Revenue	\$ 140,012	\$ 105,138
Operating income	23,516	11,713
Operating income as a % of revenue	16.8 %	11.1 %
Add back:		
Amortization of intangible assets related to acquisitions	3,425	1,972
Severance	19	195
Operating losses (2)	806	671
Costs associated with the evaluation and integration of acquisitions	25	—
Operating income, excluding specified charges (Non-GAAP)	\$ 27,791	\$ 14,551
Non-GAAP operating income as a % of revenue	19.8 %	13.8 %
Manufacturing Support		
Revenue	\$ 60,391	\$ 61,735
Operating income	16,798	18,416
Operating income as a % of revenue	27.8 %	29.8 %
Add back:		
Amortization of intangible assets related to acquisitions	1,067	1,430
Severance	177	—
Operating income, excluding specified charges (Non-GAAP)	\$ 18,042	\$ 19,846
Non-GAAP operating income as a % of revenue	29.9 %	32.1 %
Unallocated Corporate Overhead		
	\$ (26,154)	\$ (25,867)
Add back:		
Severance and executive transition costs	926	121
Acquisition related adjustments (3)	(362)	3,305
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (25,590)	\$ (22,441)
Total		
Revenue	\$ 320,414	\$ 299,368
Operating income	43,005	39,706
Operating income as a % of revenue	13.4 %	13.3 %
Add back:		
Amortization of intangible assets related to acquisitions	5,258	4,340
Severance and executive transition costs	2,041	1,900
Site consolidation costs, impairments and other items	798	992
Operating losses (2)	806	671
Acquisition related adjustments (3)	(337)	3,305
Government billing adjustment and related expenses	244	67
Operating income, excluding specified charges (Non-GAAP)	\$ 51,815	\$ 50,981
Non-GAAP operating income as a % of revenue	16.2 %	17.0 %

(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) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.

(3) These amounts include evaluation and integration costs related to the business acquisitions as well as fair value adjustments associated with contingent consideration.

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

	Three Months Ended	
	March 28, 2015	March 29, 2014
Net income attributable to common shareholders	\$ 31,541	\$ 32,232
Less: Discontinued operations	7	270
Net income from continuing operations attributable to common shareholders	<u>31,548</u>	<u>32,502</u>
Add back:		
Amortization of intangible assets related to acquisitions	5,258	4,340
Severance and executive transition costs	2,041	1,900
Site consolidation costs, impairments and other items	798	992
Operating losses (2)	806	671
Acquisition related adjustments (3)	(337)	3,305
Government billing adjustment and related expenses	244	67
Reversal of an indemnification asset associated with acquisition and corresponding interest (4)	10,411	—
Tax effect of non-GAAP adjustments:		
Reversal of uncertain tax position associated with acquisition and corresponding interest (4)	(10,411)	—
Tax effect of the remaining non-GAAP adjustments	(2,757)	(4,502)
Net income from continuing operations attributable to common shareholders, excluding specified charges (Non-GAAP)	<u>\$ 37,601</u>	<u>\$ 39,275</u>
Weighted average shares outstanding - Basic	46,772	47,091
Effect of dilutive securities:		
Stock options, restricted stock units, performance stock units and contingently issued restricted stock	1,096	1,060
Weighted average shares outstanding - Diluted	<u>47,868</u>	<u>48,151</u>
Basic earnings per share from continuing operations	\$ 0.67	\$ 0.68
Diluted earnings per share from continuing operations	\$ 0.66	\$ 0.67
Basic earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.80	\$ 0.83
Diluted earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.79	\$ 0.82

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(2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.

(3) These amounts include evaluation and integration costs related to the business acquisitions as well as fair value adjustments associated with contingent consideration.

(4) These amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset related to the acquisition of BioFocus.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP REVENUE GROWTH (UNAUDITED)
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE
For the Three Months Ended March 28, 2015

For the three months ended March 28, 2015:	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	7.0 %	(9.4)%	33.2 %	(2.2)%
Impact of foreign exchange	(5.8)%	(6.8)%	(3.1)%	(7.9)%
Non-GAAP revenue growth, constant currency	<u>12.8 %</u>	<u>(2.6)%</u>	<u>36.3 %</u>	<u>5.7 %</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 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 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	(~5.5%)
Revenue growth, constant currency	6.5%-8.0%
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 and other items (2)	\$0.05
Non-GAAP EPS estimate	\$3.55 - \$3.65

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.

(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, including site consolidation costs, asset impairments, and severance. Other projects in support of the global productivity and efficiency initiatives are expected, but these charges reflect only the decisions that have already been finalized. These charges also include executive transition costs.

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

(dollars in thousands)

	Three Months Ended		
	March 28, 2015	December 27, 2014	March 29, 2014
GAAP Interest Expense, net	\$ 2,740	\$ 2,428	\$ 2,596
Exclude:			
Reversal of an indemnification asset associated with acquisition and corresponding interest	(180)	-	-
Non-GAAP Interest Expense, net	\$ 2,560	\$ 2,428	\$ 2,596

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 GAAP TAX RATE TO NON-GAAP TAX RATE (UNAUDITED) (1)

(dollars in thousands)

	Three Months Ended	
	March 28, 2015	March 29, 2014
Income from continuing operations before income taxes & noncontrolling interest	\$ 31,952	\$ 42,986
Add back:		
Amortization of intangible assets related to acquisitions	5,257	4,339
Severance and executive transition costs	2,043	1,900
Site consolidation costs, impairments and other items	798	992
Operating losses (2)	806	671
Acquisition related adjustments (3)	(337)	3,305
Government billing adjustment and related expenses	244	67
Reversal of indemnification asset associated with acquisition and corresponding interest (4)	10,411	-
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	<u>\$ 51,174</u>	<u>\$ 54,260</u>
Provision for income taxes (GAAP)	\$ 331	\$ 10,358
Tax effect from reversal of uncertain tax position associated with acquisition and corresponding interest (4)	10,411	-
Tax effect on amortization, severance and other charges	2,757	4,502
Provision for income taxes (Non-GAAP)	<u>\$ 13,499</u>	<u>\$ 14,860</u>
Total rate (GAAP)	1.0%	24.1%
Total rate, excluding specified charges (Non-GAAP)	26.4%	27.4%

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(2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.

(3) These amounts include evaluation and integration costs related to the business acquisitions as well as fair value adjustments associated with contingent consideration.

(4) These amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset related to the acquisition of BioFocus.

**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/>

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>Fiscal Year Ended</u>
	March 28, 2015	March 29, 2014	December 26, 2015E
Net cash provided by operating activities	\$ 11,252	\$ 28,463	\$265,000-\$275,000
Less: Capital expenditures	<u>(10,648)</u>	<u>(11,190)</u>	Up to (70,000)
Free cash flow	<u>\$ 604</u>	<u>\$ 17,273</u>	<u>\$195,000-\$205,000</u>

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

	<u>Three Months Ended</u> <u>December 27,</u> <u>2014</u>
Research Models and Services	
Revenue	\$ 117,691
Operating income	23,642
Operating income as a % of revenue	20.1%
Add back:	
Amortization of intangible assets related to acquisitions	451
Severance related to cost-savings actions	619
Government billing adjustment and related expenses	554
Impairment and other items ⁽²⁾	<u>2,002</u>
Operating income, excluding specified charges (Non-GAAP)	\$ 27,268
Non-GAAP operating income as a % of revenue	23.2%
Discovery and Safety Assessment	
Revenue	\$ 149,604
Operating income	20,909
Operating income as a % of revenue	14.0%
Add back:	
Amortization of intangible assets related to acquisitions	5,458
Severance related to cost-savings actions	1,794
Operating losses ⁽³⁾	619
Costs associated with the evaluation and integration of acquisitions	<u>208</u>
Operating income, excluding specified charges (Non-GAAP)	\$ 28,988
Non-GAAP operating income as a % of revenue	19.4%
Manufacturing Support	
Revenue	\$ 62,253
Operating income	20,529
Operating income as a % of revenue	33.0%
Add back:	
Amortization of intangible assets related to acquisitions	1,235
Severance related to cost-savings actions	<u>16</u>
Operating income, excluding specified charges (Non-GAAP)	\$ 21,780
Non-GAAP operating income as a % of revenue	35.0%
Unallocated Corporate Overhead	
Add back:	
Costs associated with the evaluation and integration of acquisitions	<u>1,028</u>
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (23,285)
Total	
Revenue	\$ 329,548
Operating income	40,767
Operating income as a % of revenue	12.4%
Add back:	
Amortization of intangible assets related to acquisitions	7,144
Severance related to cost-savings actions	2,429
Government billing adjustment and related expenses	554
Impairment and other items ⁽²⁾	2,002
Operating losses ⁽³⁾	619
Costs associated with the evaluation and integration of acquisitions	<u>1,236</u>
Operating income, excluding specified charges (Non-GAAP)	\$ 54,751
Non-GAAP operating income as a % of revenue	16.6%

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(2) For the three ended December 27, 2014, impairment and other items included \$1.9 million of asset impairments and accelerated depreciation related to the consolidation of research model production operations; and a \$0.1 million charge related to the sale of a former research model facility in France.

(3) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.

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

	Three Months Ended
	December 27,
	2014
Income from continuing operations before income taxes & noncontrolling interest	\$ 40,186
Add back:	
Amortization of intangible assets related to acquisitions	7,144
Severance related to cost-savings actions	2,429
Government billing adjustment and related expenses	554
Impairment and other items ⁽²⁾	2,002
Operating losses ⁽³⁾	619
Costs associated with the evaluation and integration of acquisitions	1,236
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	\$ 54,170
Provision for income taxes	\$ 11,650
Tax effect on amortization, severance and other charges	3,506
Provision for income taxes (Non-GAAP)	\$ 15,156
Tax rate (GAAP)	29.0%
Tax rate, excluding specified charges (Non-GAAP)	28.0%

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(2) For the three months ended December 27, 2014, impairment and other items included \$1.9 million million of asset impairments and accelerated depreciation related to the consolidation of research model production operations; and a \$0.1 million charge related to the sale of a former research model facility in France.

(3) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.

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

	<u>Three Months Ended</u> <u>June 28,</u> <u>2014</u>
Net income attributable to common shareholders	\$ 35,264
Less: Discontinued operations	644
Net income from continuing operations	<u>35,908</u>
Add back:	
Amortization of intangible assets related to acquisitions	6,854
Severance related to cost-savings actions	2,889
Impairment and other items ⁽²⁾	1,725
Operating losses ⁽³⁾	719
Costs associated with the evaluation and integration of acquisitions	1,574
Government billing adjustment and related expenses	13
Tax effect of items above	<u>(3,426)</u>
Net income from continuing operations, excluding specified charges (Non-GAAP)	<u>\$ 46,256</u>
Weighted average shares outstanding - Basic	46,941,612
Effect of dilutive securities:	
Stock options and contingently issued restricted stock	<u>742,484</u>
Weighted average shares outstanding - Diluted	<u>47,684,096</u>
Basic earnings per share from continuing operations	\$ 0.76
Diluted earnings per share from continuing operations	\$ 0.75
Basic earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.99
Diluted earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.97

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- (2) For the three months ended June 28, 2014, impairment and other items primarily include \$1.5 million of asset impairments and accelerated depreciation related to the consolidation of research model production operations; a \$1.3 million charge related to a dispute with a large model supplier; and a \$1.1 million gain related to the sale of a former research model facility in France.
- (3) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.



charles river | every step
of the way.

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