

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15 (d) of the
Securities Exchange Act of 1934

FEBRUARY 11, 2014
Date of Report (Date of earliest event reported)

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
(Exact Name of Registrant as specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-15943
(Commission File Number)

06-1397316
(I.R.S. Employer
Identification No.)

251 Ballardvale Street
Wilmington, Massachusetts 01887
(Address of Principal Executive Offices) (Zip Code)

781-222-6000
(Registrant's Telephone Number, including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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The following information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On February 11, 2014, Charles River Laboratories International, Inc. issued a press release providing financial results for the quarter and fiscal year ended December 28, 2013.

The press release, attached as an exhibit to this report, includes "safe harbor" language pursuant to the Private Securities Litigation Reform Act of 1995, as amended, indicating that certain statements contained in the press release are "forward-looking" rather than historic. The press release also states that these and other risks relating to Charles River are set forth in the documents filed by Charles River with the Securities and Exchange Commission.

ITEM 9.01. Financial Statements and Exhibits

(a) Not applicable.

(b) Not applicable.

(c) Exhibits.

99.1 Press release dated February 11, 2014.

Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press release dated February 11, 2014. |

Charles River Laboratories Announces Fourth-Quarter and Full-Year 2013 Results from Continuing Operations and Provides 2014 Guidance

– Fourth-Quarter Sales of \$289.2 Million and Full-Year 2013 Sales of \$1.17 Billion –

– Fourth-Quarter GAAP Earnings per Share of \$0.40 and Non-GAAP Earnings per Share of \$0.73 –

– Full-Year GAAP Earnings per Share of \$2.15 and Non-GAAP Earnings per Share of \$2.93 –

– 2014 Guidance Includes Sales Growth of 3%-5%, Non-GAAP EPS of \$3.00-\$3.10, and GAAP EPS of \$2.68-\$2.78 –

WILMINGTON, Mass.--(BUSINESS WIRE)--February 11, 2014--Charles River Laboratories International, Inc. (NYSE: CRL) today reported its results for the fourth-quarter and full-year 2013 and provided guidance for 2014. For the quarter, net sales from continuing operations were \$289.2 million, an increase of 3.2% from \$280.1 million in the fourth quarter of 2012. Foreign currency translation reduced sales by 0.5%. Sales growth was driven primarily by the Preclinical Services (PCS) segment.

On a GAAP basis, net income from continuing operations for the fourth quarter of 2013 was \$19.5 million, or \$0.40 per diluted share, compared to \$22.7 million, or \$0.47 per diluted share, for the fourth quarter of 2012.

On a non-GAAP basis, net income from continuing operations was \$35.1 million for the fourth quarter of 2013, an increase of 13.1% from \$31.0 million for the same period in 2012. Fourth-quarter diluted earnings per share on a non-GAAP basis were \$0.73, an increase of 14.1% compared to \$0.64 per share in the fourth quarter of 2012. The primary driver of this increase was higher sales and operating income in the PCS segment.

James C. Foster, Chairman, President and Chief Executive Officer, said, “Over the past several years, we focused on targeted initiatives that were designed to position Charles River as the preferred provider for early-stage drug development: Broadening our unique portfolio, enhancing our scientific expertise, providing outstanding client service, and driving operating efficiencies. The benefit of these initiatives, and our willingness to structure strategic partnerships designed to meet the individual needs of our clients, is enabling us to win market share and drive sales and earnings growth.

We view 2014 as a year of continuing progress, with sales growth in a range of 3% to 5%, operating margin improvement, and non-GAAP earnings per share in a range of \$3.00 to \$3.10.”

Fourth-Quarter Segment Results

Research Models and Services (RMS)

Net sales for the RMS segment were \$172.3 million in the fourth quarter of 2013, an increase of 0.2% from \$171.8 million in the fourth quarter of 2012. Excluding foreign exchange, which reduced reported sales by 0.8%, RMS sales increased by 1.0%. Higher sales were driven primarily by the Vital River acquisition and growth in the Endotoxin and Microbial Detection (EMD) business, partially offset by lower legacy sales of research models.

In the fourth quarter of 2013, the RMS segment’s GAAP operating margin was 21.0% compared to 25.6% for the fourth quarter of 2012. On a non-GAAP basis, the operating margin decreased slightly to 27.1% from 27.3% in the fourth quarter of 2012. The non-GAAP operating margin reflected lower sales and profitability for legacy research models, partially offset by sales and margin improvement in the EMD business and a strong performance by Vital River.

Preclinical Services (PCS)

Fourth-quarter 2013 net sales from continuing operations for the PCS segment were \$117.0 million, an increase of 8.0% from \$108.3 million in the fourth quarter of 2012. Foreign currency translation reduced reported sales by 0.2%. PCS sales growth was led by robust demand from mid-tier biotechnology clients, as well as continued growth in the Company’s global key accounts, which include the world’s leading biopharmaceutical companies.

In the fourth quarter of 2013, the PCS segment’s GAAP operating margin decreased to 5.5% from 8.0% in the fourth quarter of 2012. On a non-GAAP basis, the operating margin increased to 15.3% from 12.1% in the fourth quarter of 2012. The non-GAAP operating margin improvement was due primarily to increased study volume, favorable study mix and improved operating efficiency. In addition, the PCS non-GAAP operating margin benefited from a 2013 tax law change in the United Kingdom that resulted in reclassification of research and development tax credits to segment operating income. This benefitted the non-GAAP operating margin by approximately 90 basis points in the fourth quarter of 2013.

Stock Repurchase Update

During the fourth quarter of 2013, the Company repurchased approximately 1.5 million shares for \$77.2 million. As of December 28, 2013, Charles River had \$139.1 million remaining on its \$1.0 billion stock repurchase authorization.

Full-Year Results

For 2013, net sales from continuing operations increased by 3.2% to \$1.17 billion from \$1.13 billion in 2012. Foreign currency translation reduced reported sales by 0.8%.

On a GAAP basis, net income from continuing operations for 2013 was \$105.4 million, or \$2.15 per diluted share, compared to \$102.1 million, or \$2.10 per diluted share, in 2012.

On a non-GAAP basis, net income from continuing operations for 2013 was \$142.3 million, or \$2.93 per diluted share, compared to \$132.5 million, or \$2.74 per diluted share, in 2012.

Research Models and Services (RMS)

For 2013, RMS net sales were \$707.1 million, an increase of 1.7% from \$695.1 million in 2012. Foreign currency translation reduced reported sales by 1.2%. On a GAAP basis, the RMS segment operating margin was 25.6% in 2013, compared to 29.1% in 2012. On a non-GAAP basis, the operating margin was 29.5% in 2013, compared to 30.7% in 2012.

Preclinical Services (PCS)

For 2013, PCS net sales were \$458.4 million, an increase of 5.5% from \$434.4 million in 2012. Foreign currency translation reduced reported sales by 0.4%. On a GAAP basis, the PCS segment operating margin was 9.6% in 2013, compared to 8.0% in 2012. On a non-GAAP basis, the operating margin was 14.2% in 2013, compared to 11.8% in 2012. The non-GAAP operating margin improvement was due primarily to increased study volume, favorable study mix and improved operating efficiency. In addition, tax-related items contributed approximately 120 basis points to the PCS non-GAAP operating margin in 2013; including a multi-year Canadian tax settlement, a real estate tax abatement in Scotland, and the tax law change in the United Kingdom.

2014 Guidance

The Company is providing the following financial guidance for 2014. This guidance assumes that net sales growth for both the RMS and PCS segments will be within the consolidated range in 2014. Based on current rates, foreign currency translation is expected to provide only a small benefit to reported net sales. Earnings per share in 2014 are expected to benefit from higher sales and enhanced efficiency initiatives.

2014 GUIDANCE (from continuing operations)

| | |
|---|-----------------|
| Net sales growth, reported | 3.0% – 5.0% |
| Impact of foreign exchange | N/M |
| Net sales growth, constant currency | 3.0% - 5.0% |
| GAAP EPS estimate | \$2.68 - \$2.78 |
| Amortization of intangible assets | \$0.22 |
| Operating losses (1) | \$0.04 |
| Charges related to global efficiency initiative (2) | \$0.05-\$0.07 |
| Non-GAAP EPS estimate | \$3.00 - \$3.10 |

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

(2) These charges are related to the consolidation of a research model production operation in North America. Other projects in support of the global efficiency initiative are expected in 2014, but at this time, no specific decisions have been made. Accordingly, our current guidance does not include a quantification of potential future charges.

Webcast

Charles River Laboratories has scheduled a live webcast on Wednesday, February 12, at 8:30 a.m. ET to discuss matters relating to this press release. To participate, please go to ir.criver.com and select the webcast link. You can also find the associated slide presentation and reconciliations of non-GAAP financial measures to comparable GAAP financial measures on the website.

Non-GAAP Reconciliations/Discontinued Operations

The Company reports non-GAAP results in this press release, which exclude certain items that are outside of normal operations. A reconciliation of GAAP to non-GAAP results is provided in the schedules at the end of this press release. In addition, the Company reports results from continuing operations, which exclude results of the Phase I clinical business that was divested in 2011. The Phase I business is reported as a discontinued operation.

Use of Non-GAAP Financial Measures

This press release contains non-GAAP financial measures, such as non-GAAP earnings per diluted share, which exclude the amortization of intangible assets and other charges related to our acquisitions; expenses associated with evaluating acquisitions; charges, gains and losses attributable to businesses or properties we plan to close, consolidate or divest; severance costs associated with our efficiency initiatives; accelerated depreciation charges related to the consolidation of research model production operations in California; costs and adjustments related to our ongoing investigation of inaccurate billing with respect to certain government contracts; the write-off of large model inventory held at a vendor; and the additional interest recorded as a result of the adoption in 2009 of an accounting standard related to our convertible debt accounting which increased interest and depreciation expense. We exclude these items from the non-GAAP financial measures because they are outside our normal operations. This press release also refers to our sales in both a GAAP and non-GAAP (constant currency) basis. There are limitations in using non-GAAP financial measures, as they are not prepared in accordance with generally accepted accounting principles, and may be different than non-GAAP financial measures used by other companies. In particular, we believe that the inclusion of supplementary non-GAAP financial measures in this press release helps investors to gain a meaningful understanding of our core operating results and future prospects without the effect of these often-one-time charges, and is consistent with how management measures and forecasts the Company's performance, especially when comparing such results to prior periods or forecasts. We believe that the financial impact of our acquisitions (and in certain cases, the evaluation of such acquisitions, whether or not ultimately consummated) is often large relative to our overall financial performance, which can adversely affect the comparability of our results on a period-to-period basis. In addition, certain activities, such as business acquisitions, happen infrequently and the underlying costs associated with such activities do not recur on a regular basis. Presenting sales on a constant currency basis allows investors to measure our sales growth exclusive of foreign currency exchange fluctuations more clearly. Non-GAAP results also allow investors to compare the Company's operations against the financial results of other companies in the industry who similarly provide non-GAAP results. The non-GAAP financial measures included in this press release 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. Reconciliations of the non-GAAP financial measures used in this press release to the most directly comparable GAAP financial measures are set forth in this press release, and can also be found on the Company's website at ir.criver.com.

Caution Concerning Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “anticipate,” “believe,” “expect,” “will,” “may,” “estimate,” “plan,” “outlook,” and “project” and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These statements also include statements regarding our projected future financial performance including sales, operating margins, earnings per share, and the expected impact of foreign exchange rates; the future demand for drug discovery and development products and services, including our expectations for future revenue trends; the development and performance of our services and products, including the impact this can have on our clients’ drug development models; market and industry conditions including the outsourcing of these services and spending trends by our clients; the potential outcome of and impact to our business and financial operations due to litigation and legal proceedings, including with respect to our ongoing investigation of inaccurate billing with respect to certain government contracts; and Charles River’s future performance as delineated in our forward-looking guidance, and particularly our expectations with respect to sales, the impact of foreign exchange, and enhanced efficiency initiatives. Forward-looking statements are based on Charles River’s current expectations and beliefs, and involve a number of risks and uncertainties that are difficult to predict and that could cause actual results to differ materially from those stated or implied by the forward-looking statements. Those risks and uncertainties include, but are not limited to: the ability to successfully integrate businesses we acquire; the ability to execute our efficiency initiatives on an effective and timely basis (including divestitures and site closures); the timing and magnitude of our share repurchases; negative trends in research and development spending, negative trends in the level of outsourced services, or other cost reduction actions by our clients; the ability to convert backlog to sales; special interest groups; contaminations; industry trends; new displacement technologies; USDA and FDA regulations; changes in law; continued availability of products and supplies; loss of key personnel; interest rate and foreign currency exchange rate fluctuations; changes in tax regulation and laws; changes in generally accepted accounting principles; and any changes in business, political, or economic conditions due to the threat of future terrorist activity in the U.S. and other parts of the world, and related U.S. military action overseas. A further description of these risks, uncertainties, and other matters can be found in the Risk Factors detailed in Charles River's Annual Report on Form 10-K as filed on February 27, 2013, as well as other filings we make with the Securities and Exchange Commission. Because forward-looking statements involve risks and uncertainties, actual results and events may differ materially from results and events currently expected by Charles River, and Charles River assumes no obligation and expressly disclaims any duty to update information contained in this news release except as required by law.

About Charles River

Accelerating Drug Development. Exactly. Charles River provides essential products and services to help pharmaceutical and biotechnology companies, government agencies and leading academic institutions around the globe accelerate their research and drug development efforts. Our dedicated employees are focused on providing clients with exactly what they need to improve and expedite the discovery, early-stage development and safe manufacture of new therapies for the patients who need them. To learn more about our unique portfolio and breadth of services, visit www.criver.com.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(dollars in thousands, except for per share data)

| | <u>Three Months Ended</u> | | <u>Twelve Months Ended</u> | |
|--|---------------------------|----------------------|----------------------------|----------------------|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| Total net sales | \$ 289,228 | \$ 280,140 | \$ 1,165,528 | \$ 1,129,530 |
| Cost of products sold and services provided | 201,033 | 189,115 | 770,626 | 737,449 |
| Gross margin | 88,195 | 91,025 | 394,902 | 392,081 |
| Selling, general and administrative | 58,674 | 51,324 | 225,695 | 208,248 |
| Amortization of intangibles | 4,914 | 4,632 | 17,806 | 18,068 |
| Operating income | 24,607 | 35,069 | 151,401 | 165,765 |
| Interest income (expense) | (2,572) | (8,180) | (20,239) | (32,753) |
| Other income (expense) | 1,071 | (684) | 7,165 | (3,266) |
| Income from continuing operations before income taxes | 23,106 | 26,205 | 138,327 | 129,746 |
| Provision for income taxes | 3,580 | 3,488 | 32,911 | 27,628 |
| Income from continuing operations, net of tax | 19,526 | 22,717 | 105,416 | 102,118 |
| (Loss) income from discontinued operations, net of tax | (82) | (4,189) | (1,265) | (4,252) |
| Net income | 19,444 | 18,528 | 104,151 | 97,866 |
| Net loss (income) from noncontrolling interests | (345) | (112) | (1,323) | (571) |
| Net income attributable to common shareowners | <u>\$ 19,099</u> | <u>\$ 18,416</u> | <u>\$ 102,828</u> | <u>\$ 97,295</u> |
| Earnings per common share | | | | |
| Basic: | | | | |
| Continuing operations | \$ 0.41 | \$ 0.48 | \$ 2.18 | \$ 2.12 |
| Discontinued operations | \$ - | \$ (0.09) | \$ (0.03) | \$ (0.09) |
| Net | \$ 0.41 | \$ 0.39 | \$ 2.15 | \$ 2.03 |
| Diluted: | | | | |
| Continuing operations | \$ 0.40 | \$ 0.47 | \$ 2.15 | \$ 2.10 |
| Discontinued operations | \$ - | \$ (0.09) | \$ (0.03) | \$ (0.09) |
| Net | \$ 0.40 | \$ 0.38 | \$ 2.12 | \$ 2.01 |
| Weighted average number of common shares outstanding | | | | |
| Basic | 47,150,688 | 47,562,614 | 47,740,167 | 47,912,135 |
| Diluted | 48,134,992 | 48,257,197 | 48,489,322 | 48,406,320 |

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(dollars in thousands)

| | <u>December 28, 2013</u> | <u>December 29, 2012</u> |
|--|------------------------------|------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 155,927 | \$ 109,685 |
| Trade receivables, net | 220,630 | 203,001 |
| Inventories | 89,396 | 88,470 |
| Other current assets | 85,847 | 83,601 |
| Current assets of discontinued businesses | 750 | 495 |
| Total current assets | <u>552,550</u> | <u>485,252</u> |
| Property, plant and equipment, net | 676,182 | 717,020 |
| Goodwill, net | 230,701 | 208,609 |
| Other intangibles, net | 84,537 | 84,922 |
| Deferred tax asset | 35,536 | 38,554 |
| Other assets | 61,964 | 48,659 |
| Long-term assets of discontinued businesses | 3,151 | 3,328 |
| Total assets | <u>\$ 1,644,621</u> | <u>\$ 1,586,344</u> |
| Liabilities and Equity | | |
| Current liabilities | | |
| Current portion of long-term debt & capital leases | \$ 21,437 | \$ 139,384 |
| Accounts payable | 31,770 | 31,218 |
| Accrued compensation | 58,461 | 46,951 |
| Deferred revenue | 54,177 | 56,422 |
| Accrued liabilities | 56,711 | 45,208 |
| Other current liabilities | 22,547 | 21,262 |
| Current liabilities of discontinued businesses | 1,931 | 1,802 |
| Total current liabilities | <u>247,034</u> | <u>342,247</u> |
| Long-term debt & capital leases | 642,352 | 527,136 |
| Other long-term liabilities | 82,497 | 104,966 |
| Long-term liabilities of discontinued businesses | 8,080 | 8,795 |
| Total liabilities | <u>979,963</u> | <u>983,144</u> |
| Non-controlling interests | 23,674 | 2,395 |
| Total equity | 640,984 | 600,805 |
| Total liabilities and equity | <u>\$ 1,644,621</u> | <u>\$ 1,586,344</u> |

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)
(dollars in thousands)

| | <u>Three Months Ended</u> | | <u>Twelve Months Ended</u> | |
|---------------------------------------|---------------------------|----------------------|----------------------------|----------------------|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| Research Models and Services | | | | |
| Net sales | \$ 172,259 | \$ 171,836 | \$ 707,126 | \$ 695,083 |
| Gross margin | 62,892 | 65,386 | 284,808 | 289,750 |
| Gross margin as a % of net sales | 36.5% | 38.1% | 40.3% | 41.7% |
| Operating income | 36,128 | 43,964 | 181,321 | 202,362 |
| Operating income as a % of net sales | 21.0% | 25.6% | 25.6% | 29.1% |
| Depreciation and amortization | 17,444 | 9,844 | 54,822 | 37,541 |
| Capital expenditures | 7,920 | 8,964 | 24,384 | 36,856 |
| Preclinical Services | | | | |
| Net sales | \$ 116,969 | \$ 108,304 | \$ 458,402 | \$ 434,447 |
| Gross margin | 25,302 | 25,638 | 110,093 | 102,331 |
| Gross margin as a % of net sales | 21.6% | 23.7% | 24.0% | 23.6% |
| Operating income | 6,425 | 8,670 | 44,056 | 34,628 |
| Operating income as a % of net sales | 5.5% | 8.0% | 9.6% | 8.0% |
| Depreciation and amortization | 11,857 | 10,814 | 41,814 | 43,734 |
| Capital expenditures | 5,915 | 4,775 | 14,770 | 10,678 |
| Unallocated Corporate Overhead | | | | |
| | \$ (17,946) | \$ (17,565) | \$ (73,976) | \$ (71,225) |
| Total | | | | |
| Net sales | \$ 289,228 | \$ 280,140 | \$ 1,165,528 | \$ 1,129,530 |
| Gross margin | 88,194 | 91,024 | 394,901 | 392,081 |
| Gross margin as a % of net sales | 30.5% | 32.5% | 33.9% | 34.7% |
| Operating income | 24,607 | 35,069 | 151,401 | 165,765 |
| Operating income as a % of net sales | 8.5% | 12.5% | 13.0% | 14.7% |
| Depreciation and amortization | 29,301 | 20,658 | 96,636 | 81,275 |
| Capital expenditures | 13,835 | 13,739 | 39,154 | 47,534 |

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

| | Three Months Ended | | Twelve Months Ended | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| Research Models and Services | | | | |
| Net sales | \$ 172,259 | \$ 171,836 | \$ 707,126 | \$ 695,083 |
| Add back government billing adjustment | - | - | 1,495 | - |
| Non-GAAP net sales | \$ 172,259 | \$ 171,836 | \$ 708,621 | \$ 695,083 |
| Operating income | 36,128 | 43,964 | 181,321 | 202,362 |
| Operating income as a % of net sales | 21.0% | 25.6% | 25.6% | 29.1% |
| Add back: | | | | |
| Amortization of intangible assets related to acquisitions | 2,660 | 1,870 | 8,824 | 6,412 |
| Severance related to cost-savings actions | 1,244 | 138 | 2,054 | 1,072 |
| Government billing adjustment and related expenses | 226 | - | 2,402 | - |
| Impairment and other items (2) | 6,445 | 883 | 13,683 | 3,810 |
| Operating losses (3) | 15 | - | 270 | - |
| Operating income, excluding specified items (Non-GAAP) | \$ 46,718 | \$ 46,855 | \$ 208,554 | \$ 213,656 |
| Non-GAAP operating income as a % of net sales | 27.1% | 27.3% | 29.5% | 30.7% |
| Preclinical Services | | | | |
| Net sales | \$ 116,969 | \$ 108,304 | \$ 458,402 | \$ 434,447 |
| Operating income | 6,425 | 8,670 | 44,056 | 34,628 |
| Operating income as a % of net sales | 5.5% | 8.0% | 9.6% | 8.0% |
| Add back: | | | | |
| Amortization of intangible assets related to acquisitions | 2,255 | 2,763 | 8,982 | 11,655 |
| Severance related to cost-savings actions | 917 | 560 | 1,164 | 1,508 |
| Impairment and other items (2) | 7,698 | 199 | 7,698 | (34) |
| Operating losses (3) | 628 | 941 | 3,101 | 3,641 |
| Operating income, excluding specified items (Non-GAAP) | \$ 17,923 | \$ 13,133 | \$ 65,001 | \$ 51,398 |
| Non-GAAP operating income as a % of net sales | 15.3% | 12.1% | 14.2% | 11.8% |
| Unallocated Corporate Overhead | | | | |
| Add back: | | | | |
| Costs associated with the evaluation of acquisitions | 766 | 2,140 | 1,752 | 3,774 |
| Convertible debt accounting | - | 53 | 107 | 213 |
| Unallocated corp. costs, excluding specified items (Non-GAAP) | \$ (17,180) | \$ (15,372) | \$ (72,117) | \$ (67,238) |
| Total | | | | |
| Net sales | \$ 289,228 | \$ 280,140 | \$ 1,165,528 | \$ 1,129,530 |
| Add back government billing adjustment | - | - | 1,495 | - |
| Non-GAAP net sales | \$ 289,228 | \$ 280,140 | \$ 1,167,023 | \$ 1,129,530 |
| Operating income | 24,607 | 35,069 | 151,401 | 165,765 |
| Operating income as a % of net sales | 8.5% | 12.5% | 13.0% | 14.7% |
| Add back: | | | | |
| Amortization of intangible assets related to acquisitions | 4,915 | 4,633 | 17,806 | 18,067 |
| Severance related to cost-savings actions | 2,161 | 698 | 3,218 | 2,580 |
| Government billing adjustment and related expenses | 226 | - | 2,402 | - |
| Impairment and other items (2) | 14,143 | 1,082 | 21,381 | 3,776 |
| Operating losses (3) | 643 | 941 | 3,371 | 3,641 |
| Costs associated with the evaluation of acquisitions | 766 | 2,140 | 1,752 | 3,774 |
| Convertible debt accounting | - | 53 | 107 | 213 |
| Operating income, excluding specified items (Non-GAAP) | \$ 47,461 | \$ 44,616 | \$ 201,438 | \$ 197,816 |
| Non-GAAP operating income as a % of net sales | 16.4% | 15.9% | 17.3% | 17.5% |

(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) For the year ended December 28, 2013, impairment and other items includes: (i) accelerated depreciation of \$13.5 million and \$1.9 million related to the consolidation of research model production operations in California and our BPS operations, respectively; (ii) an impairment charge of \$3.8 million related to our PCS Massachusetts facility; (iii) an adjustment to prior-period accrued compensated absences of \$1.6 million; and (iv) \$0.6 million for the impairment of assets at certain European facilities. For the year ended December 29, 2012, impairment and other items includes: (i) an impairment charge of \$3.5 million for long-lived assets at certain RMS Europe facilities; (ii) \$0.6 million for the gain on the sale of land at an RMS facility; and (iii) \$0.9 million for the write-off of large model inventory held at a vendor.

(3) Includes operating losses related primarily to the Company's PCS-Massachusetts facility.

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 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| Net income attributable to common shareholders | \$ 19,099 | \$ 18,416 | \$ 102,828 | \$ 97,295 |
| Less: Discontinued operations | 82 | 4,189 | 1,265 | 4,252 |
| Net income from continuing operations | <u>19,181</u> | <u>22,605</u> | <u>104,093</u> | <u>101,547</u> |
| Add back: | | | | |
| Amortization of intangible assets related to acquisitions | 4,915 | 4,633 | 17,806 | 18,067 |
| Severance related to cost-savings actions | 2,161 | 698 | 3,218 | 2,580 |
| Impairment and other items (2) | 14,143 | 1,075 | 21,381 | 3,963 |
| Operating losses (3) | 643 | 694 | 3,371 | 3,738 |
| Costs associated with the evaluation of acquisitions | 766 | 2,140 | 1,752 | 3,774 |
| Government billing adjustment and related expenses | 226 | - | 2,402 | - |
| Writeoff of deferred financing costs and fees related to debt refinancing | - | - | 645 | - |
| Loss on sale of auction rate securities | - | - | - | 712 |
| Convertible debt accounting, net (4) | - | 3,813 | 6,710 | 14,741 |
| Tax effect of items above | (6,919) | (4,618) | (19,126) | (16,604) |
| Net income, excluding specified charges (Non-GAAP) | <u>\$ 35,116</u> | <u>\$ 31,040</u> | <u>\$ 142,252</u> | <u>\$ 132,518</u> |
| Weighted average shares outstanding - Basic | 47,150,688 | 47,562,614 | 47,740,167 | 47,912,135 |
| Effect of dilutive securities: | | | | |
| Stock options and contingently issued restricted stock | 984,304 | 694,583 | 749,155 | 494,185 |
| Weighted average shares outstanding - Diluted | <u>48,134,992</u> | <u>48,257,197</u> | <u>48,489,322</u> | <u>48,406,320</u> |
| Basic earnings per share | \$ 0.41 | \$ 0.39 | \$ 2.15 | \$ 2.03 |
| Diluted earnings per share | \$ 0.40 | \$ 0.38 | \$ 2.12 | \$ 2.01 |
| Basic earnings per share, excluding specified charges (Non-GAAP) | \$ 0.74 | \$ 0.65 | \$ 2.98 | \$ 2.77 |
| Diluted earnings per share, excluding specified charges (Non-GAAP) | \$ 0.73 | \$ 0.64 | \$ 2.93 | \$ 2.74 |

(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) For the year ended December 28, 2013, impairment and other items includes: (i) accelerated depreciation of \$13.5 million and \$1.9 million related to the consolidation of research model production operations in California and our BPS operations, respectively; (ii) an impairment charge of \$3.8 million related to our PCS Massachusetts facility; (iii) an adjustment to prior-period accrued compensated absences of \$1.6 million; and (iv) \$0.6 million for the impairment of assets at certain European facilities. For the year ended December 29, 2012, impairment and other items includes: (i) an impairment charge of \$3.5 million for long-lived assets at certain RMS Europe facilities; (ii) \$0.6 million for the gain on the sale of land at an RMS facility; and (iii) \$0.9 million for the write-off of large model inventory held at a vendor.

(3) Includes operating losses related primarily to the Company's PCS-Massachusetts facility.

(4) The year ended December 28, 2013 includes the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$6,603 and depreciation expense by \$107, respectively. The three and twelve months ended December 29, 2012 include increased interest expense of \$3,760 and \$14,528 and increased depreciation expense of \$53 and \$213, respectively.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP NET SALES GROWTH (YEAR-OVER-YEAR)
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE AND GOVERNMENT BILLING ADJUSTMENT
For the Three and Twelve Months Ended December 28, 2013

For the three months ended December 28, 2013:

| | <u>Total CRL</u> | <u>RMS Segment</u> | <u>PCS Segment</u> |
|--|-------------------------|---------------------------|---------------------------|
| Net sales growth, reported | 3.2% | 0.2% | 8.0% |
| Impact of foreign exchange | (0.5%) | (0.8%) | (0.2%) |
| Non-GAAP net sales growth, constant currency | <u>3.7%</u> | <u>1.0%</u> | <u>8.2%</u> |

For the twelve months ended December 28, 2013:

| | <u>Total CRL</u> | <u>RMS Segment</u> | <u>PCS Segment</u> |
|--|-------------------------|---------------------------|---------------------------|
| Net sales growth, reported | 3.2% | 1.7% | 5.5% |
| Impact of foreign exchange | (0.8%) | (1.2%) | (0.4%) |
| Impact of government billing adjustment | (0.2%) | (0.2%) | 0.0% |
| Non-GAAP net sales growth, constant currency | <u>4.2%</u> | <u>3.1%</u> | <u>5.9%</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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