

# Regulation G Financial Reconciliations



**Charles River Laboratories International, Inc.**  
August 11, 2015



# Revenue Breakout by Product/Service Line\*

(\$ in millions)	2Q15	2Q14	YOY Δ	Less: FX	YOY Δ ex. FX
<b>RMS Segment</b>	<b>\$120.0</b>	<b>\$133.1</b>	<b>(9.8%)</b>	<b>(7.3%)</b>	<b>(2.5%)</b>
<b>DSA Segment</b>	<b>\$153.4</b>	<b>\$142.6</b>	<b>7.5%</b>	<b>(3.9%)</b>	<b>11.4%</b>
EMD	\$33.7	\$33.6	0.2%	(9.4%)	9.6%
Other Mfg. Support**	<u>\$32.5</u>	<u>\$31.9</u>	2.0%	(7.9%)	9.9%
<b>Total Mfg. Support</b>	<b>\$66.2</b>	<b>\$65.4</b>	<b>1.1%</b>	<b>(8.7%)</b>	<b>9.8%</b>
<b>Total Revenue</b>	<b>\$339.6</b>	<b>\$341.2</b>	<b>(0.5%)</b>	<b>(6.2%)</b>	<b>5.7%</b>

\* 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) <sup>(1)</sup>**  
(in thousands, except percentages)

	Three Months Ended		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
<b>Research Models and Services</b>				
Revenue	\$ 120,044	\$ 133,120	\$ 240,055	\$ 265,615
Operating income	33,461	34,234	62,306	69,678
Operating income as a % of revenue	27.9%	25.7%	26.0%	26.2%
Add back:				
Amortization of intangible assets related to acquisitions	768	608	1,534	1,545
Severance	80	2,011	999	3,595
Government billing adjustment and related expenses	47	13	291	80
Site consolidation costs, impairments and other items	560	1,740	1,358	2,732
Operating income, excluding specified charges (Non-GAAP)	\$ 34,916	\$ 38,606	66,488	77,630
Non-GAAP operating income as a % of revenue	29.1%	29.0%	27.7%	29.2%
<b>Discovery and Safety Assessment</b>				
Revenue	\$ 153,375	\$ 142,614	\$ 293,387	\$ 247,752
Operating income	28,149	17,798	51,665	29,511
Operating income as a % of revenue	18.4%	12.5%	17.6%	11.9%
Add back:				
Amortization of intangible assets related to acquisitions	3,795	4,891	7,220	6,863
Severance	456	854	475	1,049
Operating losses (2)	738	704	1,544	1,375
Acquisition related adjustments (3)	-	203	25	203
Operating income, excluding specified charges (Non-GAAP)	\$ 33,138	\$ 24,450	60,929	39,001
Non-GAAP operating income as a % of revenue	21.6%	17.1%	20.8%	15.7%
<b>Manufacturing Support</b>				
Revenue	\$ 66,154	\$ 65,445	\$ 126,545	\$ 127,180
Operating income	20,431	20,455	37,229	38,871
Operating income as a % of revenue	30.9%	31.3%	29.4%	30.6%
Add back:				
Amortization of intangible assets related to acquisitions	1,154	1,355	2,221	2,785
Severance	118	24	295	24
Acquisition related adjustments (3)	528	-	528	-
Operating income, excluding specified charges (Non-GAAP)	\$ 22,231	\$ 21,834	40,273	41,680
Non-GAAP operating income as a % of revenue	33.6%	33.4%	31.8%	32.8%
<b>Unallocated Corporate Overhead</b>				
	\$ (26,306)	\$ (21,462)	\$ (52,460)	\$ (47,329)
Add back:				
Severance and executive transition costs	51	-	977	121
Acquisition related adjustments (3)	3,956	1,371	3,594	4,676
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (22,299)	\$ (20,091)	\$ (47,889)	\$ (42,532)
<b>Total</b>				
Revenue	\$ 339,573	\$ 341,179	\$ 659,987	\$ 640,547
Operating income	55,735	51,025	98,740	90,731
Operating income as a % of revenue	16.4%	15.0%	15.0%	14.2%
Add back:				
Amortization of intangible assets related to acquisitions	5,717	6,854	10,975	11,193
Severance and executive transition costs	705	2,889	2,746	4,789
Site consolidation costs, impairments and other items	560	1,740	1,358	2,732
Operating losses (2)	738	704	1,544	1,375
Acquisition related adjustments (3)	4,484	1,574	4,147	4,879
Government billing adjustment and related expenses	47	13	291	80
Operating income, excluding specified charges (Non-GAAP)	\$ 67,986	\$ 64,799	119,801	115,779
Non-GAAP operating income as a % of revenue	20.0%	19.0%	18.2%	18.1%

(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 adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.



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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 27, 2015</u>	<u>June 28, 2014</u>	<u>June 27, 2015</u>	<u>June 28, 2014</u>
Net income attributable to common shareholders	\$ 48,509	\$ 35,264	\$ 80,050	\$ 67,496
Less: Discontinued operations	7	644	14	914
Net income from continuing operations attributable to common shareholders	48,516	35,908	80,064	68,410
Add back:				
Amortization of intangible assets related to acquisitions	5,717	6,854	10,975	11,193
Severance and executive transition costs	705	2,889	2,746	4,789
Site consolidation costs, impairments and other items	560	1,740	1,358	2,732
Operating losses (2)	738	704	1,544	1,375
Acquisition related adjustments (3)	4,484	1,574	4,147	4,879
Government billing adjustment and related expenses	47	13	291	80
Reversal of an indemnification asset associated with acquisition and corresponding interest (4)	-	-	10,411	-
Write-off of deferred financing costs and fees related to debt refinancing	733	-	733	-
Gain on bargain purchase (5)	(9,878)	-	(9,878)	-
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	(5,861)	(3,426)	(8,618)	(7,928)
Net income from continuing operations attributable to common shareholders, excluding specified charges (Non-GAAP)	<u>\$ 45,761</u>	<u>\$ 46,256</u>	<u>\$ 83,362</u>	<u>\$ 85,530</u>
Weighted average shares outstanding - Basic	46,675	46,942	46,712	47,016
Effect of dilutive securities:				
Stock options, restricted stock units, performance stock units, and contingently issued restricted stock	875	742	1,006	893
Weighted average shares outstanding - Diluted	47,550	47,684	47,718	47,909
Basic earnings per share from continuing operations	\$ 1.04	\$ 0.76	\$ 1.71	\$ 1.46
Diluted earnings per share from continuing operations	\$ 1.02	\$ 0.75	\$ 1.68	\$ 1.43
Basic earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.98	\$ 0.99	\$ 1.78	\$ 1.82
Diluted earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 0.96	\$ 0.97	\$ 1.75	\$ 1.79

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- (2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (3) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and 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.
- (5) The amount relates to the acquisition of Sunrise Farms, Inc. and represents the excess of the estimated fair value of the net assets acquired over the preliminary purchase price.



**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP REVENUE GROWTH (UNAUDITED)**  
**EXCLUDING THE IMPACT OF FOREIGN EXCHANGE**  
**For the Three and Six Months Ended June 27, 2015**

<b>For the three months ended June 27, 2015:</b>	<u><b>Total CRL</b></u>	<u><b>RMS Segment</b></u>	<u><b>DSA Segment</b></u>	<u><b>MS Segment</b></u>
Revenue growth, reported	(0.5%)	(9.8%)	7.5%	1.1%
Impact of foreign exchange	(6.2%)	(7.3%)	(3.9%)	(8.7%)
<b>Non-GAAP revenue growth, constant currency</b>	<u><b>5.7%</b></u>	<u><b>(2.5%)</b></u>	<u><b>11.4%</b></u>	<u><b>9.8%</b></u>
<b>For the six months ended June 27, 2015:</b>	<u><b>Total CRL</b></u>	<u><b>RMS Segment</b></u>	<u><b>DSA Segment</b></u>	<u><b>MS Segment</b></u>
Revenue growth, reported	3.0%	(9.6%)	18.4%	(0.5%)
Impact of foreign exchange	(6.0%)	(7.0%)	(3.6%)	(8.3%)
<b>Non-GAAP revenue growth, constant currency</b>	<u><b>9.0%</b></u>	<u><b>(2.6%)</b></u>	<u><b>22.0%</b></u>	<u><b>7.8%</b></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**

	<b>2015E Guidance</b>
<b>Revenue growth, reported</b>	<b>3.0%-4.5%</b>
Less: Unfavorable impact of foreign exchange	(>5.0%)
<b>Revenue growth, constant currency</b>	<b>8.0%-9.5%</b>
 <b>GAAP EPS estimate</b>	 <b>\$3.25 - \$3.35</b>
Add back:	
Amortization of intangible assets (1)	\$0.32
Operating losses (2)	\$0.06
Charges related to global efficiency initiatives and other items (3)	\$0.06
Acquisition-related adjustments (4)	\$0.10-\$0.12
Bargain purchase gain associated with Avian Vaccine acquisition	(\$0.21)
<b>Non-GAAP EPS estimate</b>	<b>\$3.60 - \$3.70</b>

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(1) Amortization of intangibles assets excludes the impact of the Celsis acquisition because the preliminary purchase price allocation has not been completed.

(2) These costs relate primarily to the Company's Shrewsbury, Massachusetts, facility.

(3) 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.

(4) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.



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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>		<u>Fiscal Year Ended</u>
	<b>June 27, 2015</b>	<b>June 28, 2014</b>	<b>June 27, 2015</b>	<b>June 28, 2014</b>	<b>December 26, 2015E</b>
Net cash provided by operating activities	\$ 86,354	\$ 56,975	\$ 97,606	\$ 85,438	\$265,000-\$275,000
Less: Capital expenditures	(13,908)	(9,315)	(24,556)	(20,505)	Up to (70,000)
Free cash flow	<u>\$ 72,446</u>	<u>\$ 47,660</u>	<u>\$ 73,050</u>	<u>\$ 64,933</u>	<u>\$195,000-\$205,000</u>

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

	December 25, 2010	December 31, 2011	December 29, 2012	December 28, 2013	December 27, 2014	December 26, 2015E
<b><u>Free Cash Flow Reconciliation</u></b>						
Net cash provided by operating activities	\$ 168,236	\$ 206,998	\$ 208,006	\$ 209,045	\$ 252,132	\$265,000-\$275,000
Add: WuXi PharmaTech termination fee	30,000	-	-	-	-	-
Less: Capital expenditures	(42,860)	(49,143)	(47,534)	(39,154)	(56,925)	Up to (70,000)
<b>Free cash flow</b>	<b><u>\$ 155,376</u></b>	<b><u>\$ 157,855</u></b>	<b><u>\$ 160,472</u></b>	<b><u>\$ 169,891</u></b>	<b><u>\$ 195,207</u></b>	<b><u>\$195,000-\$205,000</u></b>
<b><u>Free Cash Flow Per Share Calculation</u></b>						
Diluted shares outstanding - average	63,119,523	51,318,242	48,406,320	48,489,322	47,557,706	~47,500,000
<b>Free Cash Flow Per Share</b>	<b>\$ 2.46</b>	<b>\$ 3.08</b>	<b>\$ 3.32</b>	<b>\$ 3.50</b>	<b>\$ 4.10</b>	<b>~\$4.10-\$4.30</b>

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

	<u>Twelve Months Ended</u>				
	<u>December 27,</u>	<u>December 28,</u>	<u>December 29,</u>	<u>December 31,</u>	<u>December 25,</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net income (loss) attributable to common shareholders	\$ 126,698	\$ 102,828	\$ 97,295	\$ 109,566	\$ (336,669)
Less: Discontinued operations	<u>1,726</u>	<u>1,265</u>	<u>4,252</u>	<u>5,545</u>	<u>8,012</u>
Net income (loss) from continuing operations	128,424	104,093	101,547	115,111	(328,657)
Add back:					
Amortization of intangible assets related to acquisitions	25,957	17,806	18,067	21,795	24,405
Severance related to cost-savings actions	7,792	3,218	2,580	5,462	16,504
Impairment and other items (2)	7,109	21,381	3,963	473	384,896
Adjustment of acquisition-related contingent consideration and related items	-	-	-	(721)	2,865
Operating losses (3)	2,627	3,371	3,738	6,471	13,387
Costs associated with the evaluation and integration of acquisitions	6,688	1,752	3,774	215	8,319
Government billing adjustment and related expenses	848	2,402	-	-	-
Acquisition agreement termination fee	-	-	-	-	30,000
Gain on settlement of life insurance policy	-	-	-	(7,710)	-
Write-off of deferred financing costs and fees related to debt refinancing	-	645	-	1,450	4,542
Loss on sale of auction rate securities	-	-	712	-	-
Convertible debt accounting, net (4)	-	6,710	14,741	13,978	12,948
Tax benefit from disposition of Phase I clinical business	-	-	-	(11,111)	-
Costs and taxes associated with corporate legal entity restructuring and repatriation	-	-	-	1,637	15,689
Tax effect of items above	<u>(14,987)</u>	<u>(19,126)</u>	<u>(16,604)</u>	<u>(15,710)</u>	<u>(59,274)</u>
Net income, excluding specified charges (Non-GAAP)	<u>\$ 164,458</u>	<u>\$ 142,252</u>	<u>\$ 132,518</u>	<u>\$ 131,340</u>	<u>\$ 125,624</u>
Weighted average shares outstanding - Basic	46,626,997	47,740,167	47,912,135	50,823,063	62,561,294
Effect of dilutive securities:					
Stock options and contingently issued restricted stock	<u>930,709</u>	<u>749,155</u>	<u>494,185</u>	<u>495,179</u>	<u>558,229</u>
Weighted average shares outstanding - Diluted	<u>47,557,706</u>	<u>48,489,322</u>	<u>48,406,320</u>	<u>51,318,242</u>	<u>63,119,523</u>
Basic earnings (loss) per share from continuing operations	\$ 2.76	\$ 2.18	\$ 2.12	\$ 2.26	\$ (5.25)
Diluted earnings (loss) per share from continuing operations	\$ 2.70	\$ 2.15	\$ 2.10	\$ 2.24	\$ (5.25)
Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 3.53	\$ 2.98	\$ 2.77	\$ 2.58	\$ 2.01
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 3.46	\$ 2.93	\$ 2.74	\$ 2.56	\$ 1.99

See next page for footnotes to this reconciliation.



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

**Footnotes to reconciliation on previous page.**

(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) Reported results in 2014 include: (i) asset impairments and accelerated depreciation related to the consolidation of research model production operations; (ii) charges related to a dispute with a large model supplier; and (iii) a gain related to the sale of a former research model facility in France. Reported results in 2013 include: (i) accelerated depreciation related to the consolidation of research model production operations in California and Biologics Testing Solutions operations; (ii) an impairment charge related to the Company's Shrewsbury, Massachusetts facility; (iii) an adjustment to prior-period accrued compensated absences; and (iv) asset impairments at certain European facilities. Reported results in 2012 include: (i) the impairment of long-lived assets for certain RMS Europe facilities; (ii) the gain on the sale of land for an RMS facility; and (iii) a write-off associated with large model inventory held at a vendor. Reported results in 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. Reported results in 2010 primarily include to goodwill and asset impairments associated with the Company's PCS business segment. Additionally, these amounts were reduced by \$4.3 million to account for the portion of the asset impairment charge associated with the non-controlling interest in the company's former PCS facility in China.

(3) Operating losses are primarily related to the curtailment of operations and subsequent operating costs at the Company's safety assessment facilities in China, Massachusetts and Arkansas.

(4) Reported results in 2013, 2012, 2011, and 2010 include the impact of convertible debt accounting adopted at the beginning of 2009, which increased interest expense by \$6.6 million, \$14.5 million, \$13.8 million, and \$12.7 million, and depreciation expense by \$0.1 million, \$0.2 million, \$0.2 million, and \$0.2 million, respectively.



**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF RETURN ON INVESTED CAPITAL (ROIC) (1)**  
(dollars in thousands, except for per share data)

	December 25, 2010	December 31, 2011	<u>Twelve Months Ended</u>		December 27, 2014	December 26, 2015E
			December 29, 2012	December 28, 2013		
<b>Net income, excluding specified charges (Non-GAAP)</b>	<u>\$ 125,624</u>	<u>\$ 131,340</u>	<u>\$ 132,518</u>	<u>\$ 142,252</u>	<u>\$ 164,458</u>	<u>\$170,000-\$175,000</u>
<b><u>Invested Capital</u></b>						
Total debt and capital leases	700,852	717,945	666,520	663,789	777,863	
Total equity attributable to common shareholders (excl. discontinued operations)	<u>686,022</u>	<u>528,273</u>	<u>608,038</u>	<u>647,203</u>	<u>682,858</u>	
Invested Capital - Year-End	<u>\$ 1,386,875</u>	<u>\$ 1,246,218</u>	<u>\$ 1,274,558</u>	<u>\$ 1,310,992</u>	<u>\$ 1,460,721</u>	
<b>Invested Capital - 12-month average</b>	<u>\$ 1,788,496</u>	<u>\$ 1,351,398</u>	<u>\$ 1,271,885</u>	<u>\$ 1,297,982</u>	<u>\$ 1,442,273</u>	<u>~\$ 1,500,000</u>
<i>(calculated as Total Debt plus Total Shareholders' Equity)</i>						
<b>Return on Invested Capital (ROIC)</b>	<b>7.0%</b>	<b>9.7%</b>	<b>10.4%</b>	<b>11.0%</b>	<b>11.4%</b>	<b>~11.5%</b>
<i>(calculated as Non-GAAP Net Income divided by Invested Capital -12-month average)</i>						

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charles river

MEETING WITH MANAGEMENT 2015

**CRL**  
**LISTED**  
**NYSE**

