



## **Charles River Laboratories Announces Third-Quarter 2002 Results, Provides Positive Outlook for 2002 and 2003, and Elects New Board Member**

October 29, 2002

WILMINGTON, Mass., Oct 29, 2002 (BUSINESS WIRE) -- Third-Quarter Income Before Extraordinary Item Up 60% and EPS Up 50% on Net Sales Increase of 14%

Total Year 2002 EPS Guidance Raised to \$1.41-\$1.43 Strong Sales and EPS Growth Expected in 2003

Douglas E. Rogers Elected to Board of Directors

Charles River Laboratories International, Inc. (NYSE:CRL) today reported third-quarter 2002 income before extraordinary item of \$18.9 million, a 60.2% increase over the \$11.8 million reported in the third quarter of 2001. Earnings per share rose 50.0% to \$0.39 per diluted share from \$0.26 per diluted share reported last year. Net sales in the third quarter were \$141.4 million compared to \$123.7 million reported in 2001, an increase of 14.3%. Net income for the third quarter was \$18.5 million, or \$0.38 per diluted share, including an extraordinary charge of \$0.4 million, or \$0.01 per diluted share, for termination of a \$30.0 million revolving credit facility. Interest expense for the third quarter was \$1.9 million compared to \$5.1 million in the third quarter of 2001.

Operating income in the third quarter of 2002 rose 35.4% to \$32.5 million from \$24.0 million in the same period in 2001. The Company's operating margin rose to 23.0%, a 360 basis point increase over the 19.4% margin achieved in the third quarter of last year, reflecting higher sales in both the research models and biomedical products and services businesses and operating efficiencies resulting from the increased volume.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." The effect of this change amounted to \$0.02 per diluted share on the Company's third-quarter 2002 results and \$0.06 per diluted share for the year to date.

James C. Foster, Chairman, President and Chief Executive Officer said, "For the ninth consecutive quarter since going public, Charles River has again delivered substantial growth in sales, margins, and earnings per share. Our solid and consistent financial performance reflects the leading share position we hold in a number of attractive markets and the strength of the growing drug discovery and development market.

Mr. Foster added, "We have built a strong and diverse portfolio of businesses that provide a comprehensive array of services in the non-clinical drug development field. We're extremely well positioned to be a key, strategic partner with our customers as they increasingly outsource the discovery and development of new drugs, diagnostics, and medical devices. We expanded the scale of our service offerings with the October 1, 2002, acquisition of Springborn Laboratories which strengthens both our geographic and client access position in the toxicology market. The October 2, 2002, addition of Charles River Proteomics Services, our 80/20 joint venture with Proteome Systems Ltd, positions us to become a market leader in the field of providing proteomics services."

Third-quarter 2002 net sales for the Research Models segment of the business were \$56.8 million compared to \$50.6 million last year. The 12.1% gain reflected increased customer demand for animal research models and higher sales of specialty models for pre-clinical drug development work. Significantly higher sales yielded a gross margin of 44.7% compared to 40.5% in the third quarter of last year. The sales increase also generated operating efficiencies which resulted in a 38.0% increase in operating income, to \$18.6 million in the third quarter with an operating margin of 32.8%, compared to last year's \$13.5 million and 26.6%.

Mr. Foster said, "Demand for research models continues to grow steadily. As pharmaceutical and biotech companies increase the number of compounds they are developing, there is a corresponding increase in their use of research models, particularly the specialty models used in research on diabetes, cardiovascular disease, and cancer as well as standard outbred strains used for drug safety testing. In order to keep pace with the demand, we have added to North American production capacity for the first time in over a decade."

Net sales for the Biomedical Products and Services segment rose 15.8% in the third quarter, to \$84.6 million from \$73.0 million in the same period last year. The Company's discovery services business, which includes transgenic, laboratory testing, and contract staffing services, had significant sales growth in the quarter, led by transgenic services. Sales for the development services business, which includes the entire range of pre-clinical drug testing services, also increased, with strong growth of drug safety assessment and biosafety testing for biotech companies producing drugs derived from human proteins. BioLabs, the Irish-based human and animal health sciences company acquired in June 2002, is performing well and in line with our expectations.

The third-quarter 2002 gross margin for the Biomedical Products and Services segment was 33.2%, a 210 basis point increase over the 31.1% achieved in last year's third quarter. Segment operating income rose 27.6% to \$17.1 million from \$13.4 million last year and the operating margin increased to 20.2% from 18.3%.

### **Nine-Month Results**

For the first nine months of 2002, income before extraordinary items rose 71.9% to \$50.9 million from \$29.6 million in the same period last year. Earnings per share were \$1.06 per diluted share, a 55.9% increase over last year's \$0.68 per diluted share. These results were driven by a 21.2% increase in net sales, to \$411.7 million from \$339.5 million last year.

Income before extraordinary items also improved due to a reduction in interest expense resulting from the issuance of \$185.0 million of senior convertible debentures with an interest rate of 3.5% and the subsequent early retirement of the Company's 13.5% senior subordinated notes and its senior secured term loan facilities. Interest expense declined to \$9.2 million in the nine-month period from \$18.4 million in the same period last year.

Operating income for the nine-month period was \$91.3 million, a 34.5% increase over the \$67.9 million reported in the same period in 2001. The Company's operating margin rose to 22.2% compared to 20.0% in the third quarter of last year, reflecting higher sales and the resulting operating efficiencies and the effect of the adoption of SFAS 142.

#### Outlook

The following forward-looking guidance is based on current exchange rates.

The Company now anticipates that net sales for the fourth quarter of 2002 will be approximately 15.0% higher than last year's fourth quarter due to continued growth in both the Research Models and Biomedical Products and Services segments. Diluted earnings per share are expected to be in a range of \$0.35 to \$0.37, reflecting higher sales and operating efficiencies. Fourth-quarter earnings per share are typically slightly lower than third-quarter, reflecting industry seasonality in the Research Models business segment. For the full year, the Company expects earnings per diluted share before extraordinary items of between \$1.41 and \$1.43, more than a 50.0% increase over 2001 results.

In 2003, the Company expects to see continuing growth in its business. Spending on pre-clinical research and development by the pharmaceutical and biotech industry is expected to increase and outsourcing of these services will continue. For these reasons, the Company expects net sales to advance by more than 15.0% and earnings per diluted share to grow at a faster rate than sales.

#### Rogers Elected to Board of Directors

At Charles River Laboratories' Board of Directors meeting on October 23, 2002, Douglas E. Rogers was elected a member of the Board. Mr. Rogers, who previously served on the Board from 1999 until 2001, has extensive experience in investment banking for the health care industry, most recently with Credit Suisse First Boston. Mr. Foster said, "We're very pleased to have Doug rejoin our Board. He worked with us throughout the LBO and public offering and has invaluable knowledge of the capital markets and of our industry. Doug further strengthens our already independent Board and we look forward to working with him again."

#### Webcast

Charles River Laboratories has scheduled a live webcast on Wednesday, October 30, at 8:30 a.m. EST to discuss matters relating to this press release. To participate, please go to [www.criver.com](http://www.criver.com), Investor Relations, and select the webcast link. The webcast will be available until 5:00 p.m. EST on November 6, 2002.

Charles River Laboratories, based in Wilmington, Massachusetts, is a leading provider of critical research tools and integrated support services that enable innovative and efficient drug discovery and development. The Company is the global leader in providing the animal research models required in research and development for new drugs, devices and therapies. The Company also offers a broad and growing portfolio of biomedical products and services that enable customers to reduce cost, increase speed, and enhance productivity and effectiveness in drug discovery and development. Charles River's customer base spans over 50 countries, and includes all of the major pharmaceutical and biotechnology companies, as well as many leading hospitals and academic institutions. The Company operates 76 facilities in 16 countries worldwide.

**Caution Concerning Forward-Looking Statements.** This document 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," "estimate," "plan," and "project" and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These statements are based on management's current expectations, and involve a number of risks and uncertainties that could cause actual results to differ materially from those stated or implied by the forward-looking statements, and the company expressly does not undertake any duty to update forward-looking statements, which speak only as of the date of this document. Those risks and uncertainties include, but are not limited to: acquisition integration risks; special interest groups; contaminations; industry trends; new displacement technologies; outsourcing trends; USDA and FDA regulation; changes in law; continued availability of products and supplies; loss of key personnel; interest rate and foreign currency exchange rate fluctuations; and changes in generally accepted accounting principles. A further description of these risks, uncertainties, and other matters can be found in the Risk Factors detailed in the Company's registration statement on Form S-3 as filed on April 9, 2002, with the Securities and Exchange Commission.

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

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2002	Sept. 29, 2001	Sept. 28, 2002	Sept. 29, 2001
Total Net Sales	\$ 141,364	\$ 123,685	\$ 411,685	\$ 339,536
Cost of products sold and services provided	87,889	80,474	255,851	215,893
Gross margin	53,475	43,211	155,834	123,643
Selling, general and administrative	20,023	17,016	62,329	49,761
Amortization of goodwill and intangibles	933	2,183	2,194	6,004
Operating income	32,519	24,012	91,311	67,878
Interest income (expense)	(1,862)	(5,096)	(7,515)	(17,395)
Other income (expense)	(48)	83	1,029	516
Income before taxes,				

minority interests, earnings from equity investments and extraordinary item	30,609	18,999	84,825	50,999
Provision for income taxes	11,041	6,677	32,185	19,891
Income before minority interests, earnings from equity investments and extraordinary item	19,568	12,322	52,640	31,108
Minority interests	(717)	(643)	(2,098)	(1,859)
Earnings from equity investments	57	126	316	345
Net income before extraordinary item	18,908	11,805	50,858	29,594
Extraordinary loss, net of tax benefit	(377)	(1,284)	(18,231)	(3,104)
Net income	\$ 18,531	\$ 10,521	\$ 32,627	\$ 26,490
Earnings per common share before extraordinary item				
Basic	\$ 0.42	\$ 0.27	\$ 1.14	\$ 0.74
Diluted	\$ 0.39	\$ 0.26	\$ 1.06	\$ 0.68
Earnings per common share after extraordinary item				
Basic	\$ 0.41	\$ 0.24	\$ 0.73	\$ 0.66
Diluted	\$ 0.38	\$ 0.23	\$ 0.70	\$ 0.61
Weighted average number of common shares outstanding before and after extraordinary item				
Basic	44,916,369	43,054,478	44,583,773	39,953,655
Diluted	51,384,534	45,679,127	50,680,170	43,429,162

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

	September 28, 2002	December 29, 2001
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 117,389	\$ 58,271
Trade receivables	98,718	98,478
Inventories	41,921	39,056
Other current assets	15,892	14,349
Total current assets	273,920	210,154
Property, plant and equipment, net	174,548	155,919
Goodwill, net	78,650	52,087
Other intangibles, net	28,274	38,287
Deferred tax asset	77,128	87,781
Other assets	23,788	27,134
Total assets	\$ 656,308	\$ 571,362
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 10,917	\$ 13,868
Accrued compensation	28,185	25,736
Other current liabilities	61,797	58,928
Total current liabilities	100,899	98,532
Long-term debt	188,512	155,506
Other long-term liabilities	17,122	14,826
Total liabilities	306,533	268,864

Minority interests	16,935	12,988
Total shareholders' equity	332,840	289,510
Total liabilities and shareholders' equity	\$ 656,308	\$ 571,362

CHARLES RIVER LABORATORIES INTERNATIONAL, INC  
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)

(dollars in thousands)

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2002	Sept. 29, 2001	Sept. 28, 2002	Sept. 29, 2001
<b>Research Models</b>				
Net sales	\$56,771	\$50,647	\$170,214	\$148,134
Gross margin	25,375	20,511	77,534	61,975
Gross margin as a % of sales	44.7%	40.5%	45.6%	41.8%
Operating income	18,596	13,476	57,121	40,428
Operating income as a % of sales	32.8%	26.6%	33.6%	27.3%
Depreciation amortization	2,472	2,474	7,013	7,210
Capital expenditures	2,954	2,309	9,493	6,701
<b>Biomedical Products and Services</b>				
Net sales	\$84,593	\$73,038	\$241,471	\$191,402
Gross margin	28,100	22,700	78,300	61,668
Gross margin as a % of sales	33.2%	31.1%	32.4%	32.2%
Operating income	17,093	13,394	47,531	34,350
Operating income as a % of sales	20.2%	18.3%	19.7%	17.9%
Depreciation amortization	3,859	4,738	10,368	12,031
Capital expenditures	4,354	6,495	12,121	13,829
<b>Unallocated Corporate Overhead</b>				
	(\$3,170)	(\$2,858)	(\$13,341)	(\$6,900)
<b>Total</b>				
Net sales	\$141,364	\$123,685	\$411,685	\$339,536
Gross margin	53,475	43,211	155,834	123,643
Gross margin as a % of sales	37.8%	34.9%	37.9%	36.4%
Operating income	32,519	24,012	91,311	67,878
Operating income as a % of sales	23.0%	19.4%	22.2%	20.0%
Depreciation amortization	6,331	7,212	17,381	19,241
Capital expenditures	7,308	8,804	21,614	20,530

**CONTACT:**

Charles River Laboratories International, Inc.  
Susan E. Hardy, 978/658-6000, ext. 1616  
Director, Investor Relations