



## Charles River Laboratories Announces Second-Quarter 2003 Results and Confirms Outlook for 2003

July 29, 2003

WILMINGTON, Mass.--(BUSINESS WIRE)--July 29, 2003--

Second-Quarter Sales Increase 13% and Operating Income Increases  
15%; Earnings Per Share Rise 24% to \$0.42

Charles River Laboratories International, Inc. (NYSE:CRL) today reported second-quarter 2003 net sales of \$154.4 million, a 13.1% increase over the \$136.5 million reported in the second quarter of 2002. Net income for the second quarter of 2003 increased 25.9% to \$20.6 million, or \$0.42 per diluted share, from \$16.3 million, or \$0.34 per diluted share, in the second quarter of 2002. The second-quarter results included a \$0.9 million charge, or \$0.01 per diluted share, resulting from the Company's completion of a cost reduction program undertaken in its Biomedical Products and Services segment. In 2002, the second-quarter results included a charge of \$1.8 million, or \$0.02 per diluted share, for the early repayment of debt.

Operating income for the second quarter of 2003 rose 15.2% to \$35.0 million from \$30.4 million in the second quarter of last year. The Company's operating margin increased to 22.7% compared to 22.3% achieved in the second quarter of last year. The operating margin increase resulted from improved operating efficiency in the Research Models segment. The operating margin for the Biomedical Products and Services segment was lower than in the second quarter of last year, but improved from first-quarter results.

James C. Foster, Chairman, President and Chief Executive Officer said, "We are very pleased to report another quarter of double-digit growth in sales and earnings. Sales of our research models were robust, particularly in North America, and many of our businesses within the Biomedical Products and Services segment reported strong net sales growth. In our development services businesses, we had sales and operating income growth in some of our operations, as the market for outsourced drug discovery and development services began to recover from lower demand experienced earlier in the year."

Mr. Foster also said, "The cost reduction initiatives that we implemented in the second quarter have been completed and we have begun to see benefits. The Biomedical Products and Services segment's operating margin improved from first-quarter levels and we expect the margin to strengthen in the second half of the year, both as a result of increasing net sales and improved operating efficiencies."

### Business Segment Detail

Second-quarter 2003 net sales of \$154.4 million increased 13.1% over the second quarter of 2002. Favorable foreign currency translation contributed approximately 4% of the net sales gain.

Second-quarter 2003 net sales for the Research Models segment of the business were \$64.1 million compared to \$56.5 million last year. The 13.3% growth reflected favorable foreign currency translation, higher prices, increased customer demand for animal research models, particularly in North America, and higher sales of specialty disease models for pre-clinical drug discovery and development work. Higher sales yielded a gross margin of 46.6% compared to 46.2% in the second quarter of last year. The sales increase also generated operating efficiencies which resulted in an 18.2% increase in operating income, to \$22.4 million in the second quarter with an operating margin of 35.0%, compared to last year's \$19.0 million and 33.6%.

Net sales for the Biomedical Products and Services segment rose 12.9% in the second quarter, to \$90.3 million from \$80.0 million in the same period last year. The Company's discovery services business, which includes transgenic, laboratory testing, and contract staffing services, and its in vitro business reported significant sales growth in the quarter. Sales for the development services business, which includes the entire range of pre-clinical drug testing services, increased principally due to the acquisitions of BioLabs and Springborn Laboratories in the second half of 2002.

In order to improve operating efficiency in the Biomedical Products and Services segment, the Company implemented several changes and cost reductions in the second quarter, including a reduction in force in our development services business. As a result of the employee separations, which are expected to generate annual cost savings of approximately \$6.0 million, the Company recorded a severance charge in the second quarter of \$0.9 million.

Operating income for this segment was \$16.7 million compared to \$16.3 million in the second quarter of last year. The second-quarter operating margin decreased to 18.5% from 20.4% last year, but improved from 15.6% reported in the first quarter of 2003. The operating margin was affected by lower-than-expected development services net sales, partially offset by improved profitability in discovery and in vitro services.

### Year-to-Date Results

Net sales for the first six months of 2003 were \$306.5 million, a 13.4% increase over the \$270.3 million reported in the same period last year. Operating income rose 17.1% to \$68.9 million from \$58.8 million last year, and the operating margin increased to 22.5% from 21.7%, primarily as a result of improved operating performance from the Research Models segment.

Diluted earnings per share for the first half of 2003 were \$0.82, compared to \$0.31 in the same period last year. This year's six-month results included a net charge of \$1.6 million, or approximately \$0.02 per diluted share, as a result of an asset impairment charge of \$3.7 million related to the scale-back of a biopharmaceutical production facility and a French litigation settlement in the Company's favor of \$2.9 million in the first quarter and the second-quarter charge of \$0.9 million for expenses associated with cost reduction initiatives. The results for the first six months of 2002 included charges of \$29.3 million, or \$0.36 per diluted share, for the early retirement of high-yield debt.

## 2003 Outlook

The following forward-looking guidance may be affected by uncertain economic and political environments in 2003. Guidance is based on current exchange rates and is exclusive of any acquisitions which may occur in 2003.

The Company confirms its guidance provided earlier this year that for 2003, net sales growth is expected to be between 11% and 14%. Net sales growth for both the Research Model and the Biomedical Products and Services segments are expected to be in that range.

The Company also confirms that diluted earnings per share for 2003 are expected to be in a range of \$1.63 to \$1.68, reflecting higher sales, operating efficiencies and cost reduction initiatives.

Mr. Foster said, "We are encouraged by recent positive trends in customer demand in a number of our development services operations. These trends, combined with our solid second-quarter results and the strength of our research models, discovery and in vitro businesses, have increased our confidence in our expectations for achieving our full-year results."

For the third quarter of 2003, the Company expects net sales to increase between 12% and 14% due to higher sales in both the Research Models and Biomedical Products and Services business segments. Based on higher net sales and operating efficiencies, consolidated earnings per diluted share are expected to be in a range of \$0.42 to \$0.44.

## Webcast

Charles River Laboratories has scheduled a live webcast on Wednesday, July 30, at 8:30 a.m. EDT to discuss matters relating to this press release. To participate, please go to [ir.criver.com](http://ir.criver.com) and select the webcast link. The webcast will be available until 5:00 p.m. EDT on August 6, 2003.

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 companies, biotechnology companies, and many leading hospitals and academic institutions. The Company operates 82 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: a decrease in pre-clinical research and development spending or a decrease in the level of outsourced services; acquisition integration risks; special interest groups; contaminations; industry trends; new displacement technologies; outsourcing trends; 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 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 the Company's Annual Report on Form 10-K as filed on March 20, 2003, 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		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Total net sales	\$154,364	\$136,501	\$306,489	\$270,321
Cost of products sold and services provided	94,779	84,101	188,922	167,962
Gross margin	59,585	52,400	117,567	102,359
Selling, general and administrative	23,349	21,387	45,488	42,306
Other operating expense (income)	-	-	747	-
Amortization of intangibles	1,230	631	2,478	1,261
Operating income	35,006	30,382	68,854	58,792
Interest income (expense)	(1,713)	(2,261)	(3,299)	(5,653)
Loss on debt retirement	-	(1,790)	-	(29,269)
Other income (expense)	434	1,160	416	1,077
Income before taxes, minority interests and earnings from equity investments	33,727	27,491	65,971	24,947
Provision for income taxes	12,985	10,721	25,399	9,729

Income before minority interests and earnings from equity investments	20,742	16,770	40,572	15,218
Minority interests	(181)	(619)	(657)	(1,381)
Earnings from equity investments	-	177	-	259
Net income	\$20,561	\$16,328	\$39,915	\$14,096
Earnings per common share				
Basic	\$0.45	\$0.37	\$0.88	\$0.32
Diluted	\$0.42	\$0.34	\$0.82	\$0.31
Weighted average number of common shares outstanding				
Basic	45,319,310	44,557,027	45,248,913	44,405,961
Diluted	51,239,609	51,052,375	51,220,986	50,297,743

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

	June 28, 2003	December 28, 2002
Assets		
Current assets		
Cash and cash equivalents	\$144,341	\$127,509
Trade receivables, net	106,472	94,245
Inventories	46,844	43,892
Other current assets	17,220	12,446
Total current assets	314,877	278,092
Property, plant and equipment, net	194,615	187,875
Goodwill, net	104,270	96,532
Other intangibles, net	32,490	34,204
Deferred tax asset	68,123	80,884
Other assets	22,694	23,757
Total assets	\$737,069	\$701,344
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$12,765	\$13,084
Accrued compensation	26,745	31,825
Deferred income	24,997	27,029
Other current liabilities	38,566	41,431
Total current liabilities	103,073	113,369
Long-term debt	189,774	192,420
Other long-term liabilities	23,437	19,612
Total liabilities	316,284	325,401
Minority interests	9,081	18,567
Total shareholders' equity	411,704	357,376
Total liabilities and shareholders' equity	\$737,069	\$701,344

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

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Research Models				
Net sales	\$64,085	\$56,544	\$129,212	\$113,443
Gross margin	29,872	26,096	61,533	52,159
Gross margin as a % of net sales	46.6%	46.2%	47.6%	46.0%
Operating income	22,445	18,993	47,043	38,525
Operating income as a % of				

net sales	35.0%	33.6%	36.4%	34.0%
Depreciation and amortization	2,680	2,326	5,194	4,541
Capital expenditures	5,267	5,083	7,184	6,539
Biomedical Products and Services				
Net sales	\$90,279	\$79,957	\$177,277	\$156,878
Gross margin	29,713	26,304	56,034	50,200
Gross margin as a % of net sales	32.9%	32.9%	31.6%	32.0%
Operating income	16,673	16,317	30,244	30,438
Operating income as a % of net sales	18.5%	20.4%	17.1%	19.4%
Depreciation and amortization	4,451	3,290	8,862	6,509
Capital expenditures	3,951	4,688	7,270	7,767
Unallocated Corporate Overhead	\$(4,112)	\$(4,928)	\$(8,433)	\$(10,171)
Total				
Net sales	\$154,364	\$136,501	\$306,489	\$270,321
Gross margin	59,585	52,400	117,567	102,359
Gross margin as a % of net sales	38.6%	38.4%	38.4%	37.9%
Operating income	35,006	30,382	68,854	58,792
Operating income as a % of net sales	22.7%	22.3%	22.5%	21.7%
Depreciation and amortization	7,131	5,616	14,056	11,050
Capital expenditures	9,218	9,771	14,454	14,306

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SOURCE: Charles River Laboratories International, Inc.