



Charles River Laboratories Announces Third-Quarter 2003 Results, Confirms Outlook for 2003, and Provides Outlook for Continued Growth in 2004

October 29, 2003

WILMINGTON, Mass.--(BUSINESS WIRE)--Oct. 29, 2003--Charles River Laboratories International, Inc. (NYSE:CRL) today reported third-quarter 2003 net sales of \$151.2 million, a 7.0% increase over the \$141.4 million reported in the third quarter of 2002. Net income for the third quarter of 2003 increased 5.7% to \$19.6 million, or \$0.40 per diluted share, from \$18.5 million, or \$0.38 per diluted share, in the third quarter of 2002. Cash provided by operating activities in the third quarter was \$35.2 million, driving the Company's cash, cash equivalents and marketable securities to a record \$179.7 million at the end of the third quarter.

Operating income for the third quarter of 2003 rose 5.3% to \$34.3 million from \$32.5 million in the third quarter of last year. The Company's operating margin was 22.7% in the third quarter of 2003 compared to 23.0% in the third quarter of last year, a modest decrease that reflected the Company's efforts to manage costs in line with revenue growth.

James C. Foster, Chairman, President and Chief Executive Officer said, "The unsettled drug discovery and development market affected our results in the third quarter, but we nevertheless delivered sales and earnings growth and a significant increase in cash. This demonstrates the value of our diversified product and services offerings, and clearly shows that we can deliver good growth and strong profitability and cash flow despite challenging market conditions."

Business Segment Detail

Third-quarter 2003 net sales of \$151.2 million increased 7.0% over the third quarter of 2002. Favorable foreign currency translation contributed approximately 2.5% of the net sales gain.

Third-quarter 2003 net sales for the Research Models segment of the business were \$60.0 million compared to \$56.8 million last year, an increase of 5.7%. The Research Models business was affected by lower growth rates in sales to certain customer segments as the third quarter progressed, due to pharmaceutical mergers, tighter pharmaceutical and biotech spending and more pronounced seasonality. Due to slower sales growth, the gross margin was 42.9% compared to 44.7% in the third quarter of last year. Operating income increased to \$18.7 million in the third quarter compared to \$18.6 million last year, and the operating margin was 31.2% compared to last year's 32.8%.

Net sales for the Biomedical Products and Services segment rose 7.8% in the third quarter, to \$91.2 million from \$84.6 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. The vaccine support business also reported strong sales growth, due principally to consolidation of a Mexican joint venture. Sales for the development services business, which includes the entire range of pre-clinical drug testing services, were lower than in the third quarter of last year, but as evidence of steady improvement, were higher than in the second quarter of 2003. Sales from the acquisition of Springborn Laboratories, acquired in the fourth quarter of 2002, partially offset the development services third-quarter sales decrease.

Higher net sales in the third quarter resulted in an improvement in gross margins for the Biomedical Products and Services segment, to 33.7% from 33.2% in the same period in 2002. Operating income for this segment was \$18.8 million compared to \$17.1 million in the third quarter of last year. The third-quarter operating margin increased to 20.6% from 20.2% last year, and from 18.5% reported in the second quarter of 2003. The increase in the operating margin was due to improved operating efficiency in the discovery services, in vitro and vaccine support businesses as a result of higher net sales, the continuing focus on limiting operating expense growth, and the cost savings program initiated in the development services operation in the second quarter of 2003.

Year-to-Date Results

Net sales for the first nine months of 2003 were \$457.7 million, an 11.2% increase over the \$411.7 million reported in the same period last year. Operating income rose 12.9% to \$103.1 million from \$91.3 million last year, and the operating margin increased to 22.5% from 22.2%, primarily as a result of improved operating performance from the Research Models segment.

Diluted earnings per share for the nine-month period were \$1.22, compared to \$0.70 in the same period last year. This year's nine-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 closure of a biopharmaceutical production facility, a French litigation settlement in the Company's favor of \$2.9 million and a charge of \$0.9 million for expenses associated with cost savings initiatives. The results for the first nine months of 2002 included charges of \$29.9 million, or \$0.36 per diluted share, for the early retirement of high-yield debt.

2003 Confirmation/2004 Outlook

The following forward-looking guidance may be affected by uncertain economic and political environments. Guidance is based on current exchange rates, as the Company is unable to predict the effects of any currency fluctuations on its future results, and is exclusive of any acquisitions which may occur.

The Company confirms its guidance provided in September of this year that for 2003, net sales growth is expected to be between 9% and 11%. Net sales growth for the Research Models segment is expected to be between 10% and 12%, and for the Biomedical Products and Services segment is expected to be between 8% and 10%.

The Company also confirms that diluted earnings per share for 2003 are expected to be in a range of \$1.58 to \$1.63.

For 2004, exclusive of any acquisitions, the Company anticipates earnings per diluted share of at least \$1.76, based on net sales growth between 5% and 9%.

Mr. Foster added, "We are very pleased that the business is well positioned for growth in sales, earnings and cash flow for 2004. Although overall demand continues to be affected by pharmaceutical and biotechnology companies' spending patterns, our broad spectrum of products and services enables us to capitalize on opportunities where they are strongest. From a long-term perspective, we believe our business is well positioned as a leading provider to the pharmaceutical and biotechnology industries. Our goal is to maintain that position by delivering an increasing array of high-quality products and services to existing and emerging markets."

Webcast

Charles River Laboratories has scheduled a live webcast on Thursday, October 30, at 8:30 a.m. EST to discuss matters relating to this press release. To participate, please go to ir.criver.com and select the webcast link. The webcast will be available until 5:00 p.m. EST on November 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," "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 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; 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		Nine Months Ended	
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	Sept. 27, 2003	Sept. 28, 2002	Sept. 27, 2003	Sept. 28, 2002
Total net sales	\$151,194	\$141,364	\$457,683	\$411,685
Cost of products sold and services provided	94,702	87,889	283,624	255,851
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Gross margin	56,492	53,475	174,059	155,834
Selling, general and administrative	21,003	20,023	66,491	62,329
Other operating expense (income)	-	-	747	-
Amortization of intangibles	1,233	933	3,711	2,194
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Operating income	34,256	32,519	103,110	91,311
Interest income (expense)	(1,722)	(1,862)	(5,021)	(7,515)
Loss on debt retirement	-	(613)	-	(29,882)
Other income (expense)	27	(48)	443	1,029
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Income before taxes, minority interests and earnings from equity investments	32,561	29,996	98,532	54,943
Provision for income taxes	12,536	10,805	37,935	20,534

Income before minority interests and earnings from equity investments	20,025	19,191	60,597	34,409
Minority interests	(434)	(717)	(1,091)	(2,098)
Earnings from equity investments	-	57	-	316
Net income	\$19,591	\$18,531	\$59,506	\$32,627
Earnings per common share				
Basic	\$0.43	\$0.41	\$1.31	\$0.73
Diluted	\$0.40	\$0.38	\$1.22	\$0.70
Weighted average number of common shares outstanding				
Basic	45,600,735	44,836,974	45,366,187	44,549,632
Diluted	51,490,250	51,362,263	51,288,568	50,672,782

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

	September 27, 2003	December 28, 2002
Assets		
Current assets		
Cash and cash equivalents	\$164,316	\$127,509
Marketable securities	11,192	-
Trade receivables, net	105,653	94,245
Inventories	48,541	43,892
Other current assets	16,389	12,446
Total current assets	346,091	278,092
Property, plant and equipment, net	193,003	187,875
Goodwill, net	103,600	96,532
Other intangibles, net	31,020	34,204
Deferred tax asset	66,287	80,884
Other assets	25,151	23,757
Total assets	\$765,152	\$701,344
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$12,450	\$13,084
Accrued compensation	28,996	31,825
Deferred income	25,248	27,029
Other current liabilities	43,871	41,431
Total current liabilities	110,565	113,369
Long-term debt	189,690	192,420
Other long-term liabilities	23,418	19,612
Total liabilities	323,673	325,401
Minority interests	9,539	18,567
Total shareholders' equity	431,940	357,376
Total liabilities and shareholders' equity	\$765,152	\$701,344

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

	Three Months Ended		Nine Months Ended	
	Sept. 27, 2003	Sept. 28, 2002	Sept. 27, 2003	Sept. 28, 2002
Research Models				
Net sales	\$59,986	\$56,771	\$189,198	\$170,214
Gross margin	25,745	25,375	87,278	77,534
Gross margin as a % of net sales	42.9%	44.7%	46.1%	45.6%
Operating income	18,703	18,596	65,746	57,121
Operating income as a % of net sales	31.2%	32.8%	34.7%	33.6%
Depreciation and amortization	2,751	2,472	7,945	7,013
Capital expenditures	2,938	2,954	10,122	9,493
Biomedical Products and Services				
Net sales	\$91,208	\$84,593	\$268,485	\$241,471
Gross margin	30,747	28,100	86,781	78,300
Gross margin as a % of net sales	33.7%	33.2%	32.3%	32.4%
Operating income	18,830	17,093	49,074	47,531
Operating income as a % of net sales	20.6%	20.2%	18.3%	19.7%
Depreciation and amortization	4,475	3,859	13,337	10,368
Capital expenditures	2,377	4,354	9,647	12,121
Unallocated Corporate				
Overhead	\$(3,277)	\$(3,170)	\$(11,710)	\$(13,341)
Total				
Net sales	\$151,194	\$141,364	\$457,683	\$411,685
Gross margin	56,492	53,475	174,059	155,834
Gross margin as a % of net sales	37.4%	37.8%	38.0%	37.9%
Operating income	34,256	32,519	103,110	91,311
Operating income as a % of net sales	22.7%	23.0%	22.5%	22.2%
Depreciation and amortization	7,226	6,331	21,282	17,381
Capital expenditures	5,315	7,308	19,769	21,614

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SOURCE: Charles River Laboratories