



Charles River Laboratories Reports Record Year in 2003, Strong Fourth-Quarter Results and Improving Outlook for 2004

February 11, 2004

WILMINGTON, Mass.--(BUSINESS WIRE)--Feb. 10, 2004--Charles River Laboratories International, Inc. (NYSE:CRL) today reported a 9.2% increase in fourth-quarter 2003 net sales, to \$156.0 million from \$142.9 million reported in the fourth quarter of 2002. Net income for the fourth quarter of 2003 increased 17.9% to \$20.6 million, or \$0.42 per diluted share, from \$17.5 million, or \$0.36 per diluted share, in the fourth quarter of 2002. Due primarily to the double-digit net income gain, cash provided by operating activities increased to \$43.5 million, and at the end of the fourth quarter, the Company's combined cash, cash equivalents and marketable securities were a record \$202.8 million.

Operating income for the fourth quarter of 2003 rose 14.5% to \$35.4 million from \$31.0 million in the fourth quarter of 2002. The Company's operating margin was 22.7% in the fourth quarter of 2003 compared to 21.7% in the fourth quarter of the prior year.

Full-year 2003 net sales were \$613.7 million, a record for the Company, and a 10.7% increase over the \$554.6 million reported in 2002. Operating income rose 13.3% to \$138.6 million from \$122.3 million in the prior year, and the operating margin increased to 22.6% from 22.0%.

Diluted earnings per share for 2003 were a record \$1.64, compared to \$1.06 in 2002. The 2003 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 2002 results included charges of \$29.9 million, or \$0.36 per diluted share, for the early retirement of high-yield debt. After adjusting for all items, non-GAAP earnings per diluted share were \$1.66 in 2003 compared to \$1.42 in 2002, a 16.9% increase.

James C. Foster, Chairman, President and Chief Executive Officer, said, "We are very pleased with the fourth-quarter and full-year results. Research models finished the year on a stronger note, as did our Development Services business. We benefited from improving pharmaceutical and biotechnology spending and increasing demand for outsourced services. We believe that the upward trend in demand for outsourced development services will continue and are optimistic about the business environment for 2004."

Business Segments Revision

During the fourth quarter of 2003, Charles River revised its consolidated financial reporting segments to better reflect the manner in which the Company's operating units are managed. The Company believed the revision was required because in 2003, a number of changes were made to align related businesses, to focus sales force responsibilities and to simplify management structure. The Company will continue to report two segments, now called Research Models & Services (RMS) and Development & Safety Testing (DST). The Research Models business will continue to be reported in the RMS segment and Transgenic Services, Laboratory Services, Contract Staffing Services and Vaccine Support Services will now be reported in the RMS segment. The Company will now report Development Services, including Drug Safety Testing, Pathology Services and Interventional and Surgical Services, and In Vitro Technology in the DST segment. The changes in segment presentation have no effect on consolidated revenues or net income.

Management believes that the new business segments will better reflect results of operations and facilitate investors' understanding of the Company's business. The business segment detail discussed in this press release is based on the new business segments.

Business Segments Results

Fourth-quarter 2003 net sales of \$156.0 million increased 9.2% over the fourth quarter of 2002. Favorable foreign currency translation contributed approximately 4.5% of the net sales gain.

Fourth-quarter 2003 net sales for the Research Models & Services segment of the business increased 11.7% to \$100.4 million from \$89.9 million in the prior year. The sales increase was due in part to an increase in biotechnology spending and higher demand for research models. Higher net sales yielded a gross margin of 39.6% compared to 37.9% in the fourth quarter of 2002. Operating income increased 20.3% in the fourth quarter to \$28.5 million from \$23.7 million in 2002, and the operating margin was 28.4% compared to the prior year's 26.3%.

Net sales for the Development & Safety Testing segment rose 4.9% in the fourth quarter, to \$55.6 million from \$53.0 million in the same period in 2002. Net sales for Development Services improved from the fourth quarter of 2002 and sequentially from the third quarter of 2003, as the demand for outsourced services continued to strengthen. The In Vitro Technology business had a strong fourth quarter due to higher product demand, particularly in North America, and increasing sales of the Endosafe(R)PTS, the Company's recently-launched portable testing device for rapid microbial detection.

In the fourth quarter of 2003, gross margins for the Development & Safety Testing segment were relatively flat at 35.7%. Operating income for the fourth quarter rose 26.4% to \$10.7 million from \$8.5 million in the fourth quarter of 2002, and the operating margin increased to 19.3% from 16.0%. The increase in the operating margin was due to improved operating efficiency resulting from higher net sales, the cost savings program initiated in the second quarter of 2003 and a continuing focus on limiting operating expense growth.

European Reorganization

In the first quarter of 2004, the Company began a reorganization of its European operations. The purpose of the reorganization is to streamline the corporate legal structure in order to improve operating efficiency and cash management, facilitate acquisitions and provide tax benefits. The reorganization, which will not involve reductions of personnel or facility closures, is expected to result in a one-time, non-cash charge to earnings for the write-off of a deferred tax asset in the first quarter of 2004 of approximately \$7.5 million, or \$0.15 per diluted share, but is expected to improve full-year 2004 earnings per diluted share by an estimated \$0.02 to \$0.03 excluding the one-time charge. The earnings benefit is expected to increase

in 2005.

2004 Outlook

The following forward-looking guidance is based on current foreign exchange rates and is exclusive of any acquisitions which may occur.

For 2004, the Company anticipates that net sales will increase between 7% and 11%, higher than previous guidance of 5% to 9% due to the acquisition of River Valley Farms on January 8, 2004, the benefit of foreign exchange and an improving business environment. As a result of stronger sales growth and the benefit of the European reorganization, the Company now expects 2004 earnings per diluted share to be in a range of \$1.63 to \$1.69. Excluding the one-time charge for reorganization of the European operations, non-GAAP earnings per diluted share would be \$1.78 to \$1.84, compared to the Company's earlier guidance of at least \$1.76.

For the first quarter of 2004, the Company expects that net sales will increase between 7% and 11% and that earnings per diluted share will be in a range of \$0.28 to \$0.30. Excluding the one-time charge, non-GAAP earnings per diluted share are expected to be in a range of \$0.43 to \$0.45.

Webcast

Charles River Laboratories has scheduled a live webcast on Wednesday, February 11, 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 February 18, 2004.

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.

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 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 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		Twelve Months Ended	
	December 27, 2003	December 28, 2002	December 27, 2003	December 28, 2002
Total net sales	\$ 156,040	\$ 142,944	\$ 613,723	\$ 554,629
Cost of products sold and services provided	96,434	89,795	380,058	345,646
Gross margin	59,606	53,149	233,665	208,983
Selling, general and administrative	22,998	20,974	89,489	83,303
Other operating expense (income)	-	-	747	-
Amortization of intangibles	1,165	1,220	4,876	3,414
Operating income	35,443	30,955	138,553	122,266
Interest income (expense)	(1,685)	(1,570)	(6,706)	(9,085)
Loss on debt retirement	-	-	-	(29,882)
Other income (expense)	340	193	783	1,222
Income before taxes, minority interests and earnings from				

equity investments	34,098	29,578	132,630	84,521
Provision for income taxes	13,128	11,387	51,063	31,921

Income before minority interests and earnings from equity investments	20,970	18,191	81,567	52,600
Minority interests	(325)	(686)	(1,416)	(2,784)
Earnings from equity investments	-	-	-	316

Net income	\$ 20,645	\$ 17,505	\$ 80,151	\$ 50,132
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Earnings per common share

Basic	\$ 0.45	\$ 0.39	\$ 1.76	\$ 1.12
Diluted	\$ 0.42	\$ 0.36	\$ 1.64	\$ 1.06

Weighted average number of common shares outstanding

Basic	45,694,910	45,077,506	45,448,368	44,681,601
Diluted	51,453,537	51,518,643	51,314,805	50,856,723

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

	December 27, 2003	December 28, 2002
Assets		
Current assets		
Cash and cash equivalents	\$182,331	\$127,509
Investment securities	13,156	\$ -
Trade receivables, net	111,514	94,245
Inventories	52,370	43,892
Other current assets	11,517	12,446

Total current assets	370,888	278,092
Property, plant and equipment, net	203,458	187,875
Goodwill, net	105,308	96,532
Other intangibles, net	30,415	34,204
Deferred tax asset	61,603	80,884
Other assets	27,882	23,757

Total assets	\$799,554	\$701,344
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Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 19,433	\$ 13,084
Accrued compensation	27,251	31,825
Deferred income	30,846	27,029
Other current liabilities	36,821	41,431

Total current liabilities	114,351	113,369
Long-term debt	185,600	192,420
Other long-term liabilities	24,804	19,612

Total liabilities	324,755	325,401

Minority interests	10,176	18,567

Total shareholders' equity	464,623	357,376
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Total liabilities and shareholders' equity	\$799,554	\$701,344

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

	Three Months Ended		Twelve Months Ended	
	December 27, 2003	December 28, 2002	December 27, 2003	December 28, 2002
Research Models & Services				
Net sales	\$ 100,419	\$ 89,898	\$ 405,121	\$ 353,912
Gross margin	39,756	34,068	166,860	141,666
Gross margin as a % of net sales	39.6%	37.9%	41.2%	40.0%
Operating income	28,486	23,674	126,388	102,713
Operating income as a % of net sales	28.4%	26.3%	31.2%	29.0%
Depreciation and amortization	4,882	3,132	16,371	13,404
Capital expenditures	9,607	9,163	22,984	23,343
Development & Safety Testing				
Net sales	\$ 55,621	\$ 53,046	\$ 208,602	\$ 200,717
Gross margin	19,850	19,081	66,805	67,317
Gross margin as a % of net sales	35.7%	36.0%	32.0%	33.5%
Operating income	10,733	8,489	27,651	34,102
Operating income as a % of net sales	19.3%	16.0%	13.3%	17.0%
Depreciation and amortization	3,400	3,473	13,193	10,582
Capital expenditures	3,328	6,766	9,720	14,200
Unallocated Corporate Overhead				
	\$ (3,776)	\$ (1,208)	\$ (15,486)	\$ (14,549)
Total				
Net sales	\$ 156,040	\$ 142,944	\$ 613,723	\$ 554,629
Gross margin	59,606	53,149	233,665	208,983
Gross margin as a % of net sales	38.2%	37.2%	38.1%	37.7%
Operating income	35,443	30,955	138,553	122,266
Operating income as a % of net sales	22.7%	21.7%	22.6%	22.0%
Depreciation and amortization	8,282	6,605	29,564	23,986
Capital expenditures	12,935	15,929	32,704	37,543

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

	Three Months Ending		

	March 27, 2004		
Expected diluted earnings per share range	\$0.28	-	\$0.30
European reorganization one-time, non-cash charge	0.15		0.15
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Diluted earnings per share range, excluding European reorganization one-time, non-cash charge (Non-GAAP)	\$0.43	-	\$0.45
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	Twelve months ending		

	December 25, 2004		
Expected diluted earnings per share range	\$1.63	-	\$1.69
European reorganization one-time, non-cash charge	0.15		0.15
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Diluted earnings per share range, excluding European reorganization one-time, non-cash charge (Non-GAAP)	\$1.78	-	\$1.84
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Charles River management believes that non-GAAP financial results provide useful information to investors in being able to assess the Company's ongoing operations without the effect of one-time charges. Such information provides investors with the ability to assess the Company's operating performance. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules and regulations.

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

	Twelve Months Ended	

	December 27, 2003	December 28, 2002
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Income before taxes, minority interests and earnings from equity investments	\$ 132,630	\$ 84,521
Add back:		
Impairment charge	3,655	-
Litigation settlement	(2,908)	-
Severance charge	871	
Loss on debt retirement	-	29,882
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Income before taxes, minority interest and earnings from equity investments, excluding specified charges (Non-GAAP)	134,248	114,403
Provision for income taxes, excluding specified charges (Non-GAAP)	51,685	43,572
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Income before minority interests and		

earnings from equity investments, excluding specified charges (Non-GAAP)	82,563	70,831
Minority interests	(1,416)	(2,784)
Earnings from equity investments	-	316
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Net income, excluding specified charges (Non-GAAP)	\$ 81,147	\$ 68,363
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Calculation of earnings per common share, excluding specified charges (Non-GAAP):		
Net income, excluding specified charges (Non-GAAP)	\$ 81,147	\$ 68,363
After tax equivalent interest expense	3,982	3,706
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Net income for calculation of fully diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 85,129	\$ 72,069
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Weighted average shares outstanding - Basic	45,448,368	44,681,601
Effect of dilutive securities:		
3.5% senior convertible debentures	4,759,455	4,419,847
Stock options	726,291	1,061,243
Warrants	380,691	685,219
2% convertible notes	-	8,813
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Weighted average shares outstanding - Diluted	51,314,805	50,856,723
	=====	=====

Basic earnings per share, excluding specified charges (Non-GAAP)	\$ 1.79	\$ 1.53
Diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 1.66	\$ 1.42

Charles River management believes that non-GAAP financial results provide useful information to investors in being able to assess the Company's ongoing operations without the effect of one-time charges. Such information provides investors with the ability to assess the Company's operating performance. 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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SOURCE: Charles River Laboratories International, Inc.