



Charles River Laboratories Announces Third-Quarter 2006 Results from Continuing Operations

November 6, 2006

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Net Sales Increase 9.0%

Company on Target to Achieve Previously Announced Sales and Earnings Guidance for 2006

WILMINGTON, Mass.--(BUSINESS WIRE)--Nov. 6, 2006--Charles River Laboratories International, Inc. (NYSE: CRL) today reported third-quarter and year-to-date 2006 financial results. Net sales from continuing operations increased 9.0% in the third quarter of 2006, to \$264.7 million from \$242.8 million in the third quarter of 2005. The sales increase was driven by both business segments, with Research Models & Services (RMS) sales increasing 7.3% and Preclinical Services sales increasing 10.6%. Foreign exchange contributed 1.2% to the net sales growth.

On a GAAP basis, net income from continuing operations for the third quarter of 2006 was \$32.1 million, or \$0.47 per diluted share, compared to \$29.9 million, or \$0.41 per diluted share, for the third quarter of 2005. Results for the third-quarter of 2006 also included \$2.4 million, or \$0.02 per share, of stock option expense as a result of the Company's adoption on January 1, 2006, of Statement of Financial Accounting Standards No. 123R (SFAS 123R), "Share-Based Payment."

On a non-GAAP basis, net income from continuing operations was \$38.1 million for the third quarter of 2006, compared to \$38.0 million for the same period in 2005. Third-quarter diluted earnings per share on a non-GAAP basis were \$0.56, compared to \$0.52 per share in the third quarter of 2005. Non-GAAP net income and earnings per share for the third quarter of 2006 excluded \$8.8 million, or \$0.09 per diluted share, of amortization and stock-based compensation costs associated with the acquisition of Inveresk. Non-GAAP results for the third quarter of 2005 excluded \$11.8 million, or \$0.11 per diluted share, of Inveresk-related amortization and compensation costs.

"We are pleased with our overall performance in the third quarter, which puts us on track to achieve our previously announced sales and earnings guidance for the full year. The quarter was highlighted by improved Research Models and Services sales and continuing demand for outsourced preclinical services," said James C. Foster, Chairman, President and Chief Executive Officer. "While it is apparent that certain large pharmaceutical clients continued to limit their spending on research models and services, a broad range of pharmaceutical and biotechnology clients increased their purchases. In addition, we gained market share in our Research Model business, In Vitro reported another strong quarter, and stable U.S. Transgenic Services sales, while still below last year, declined at a slower rate. Preclinical Services sales also increased, as most of our facilities continued to report strong growth. A slightly less robust mix than in the second quarter moderated the third-quarter growth rate, however, we continue to experience strong demand for the preclinical services we provide."

The Company reports results from continuing operations, which exclude results of the Clinical Phase II - IV business (sold on August 16, 2006) and closure of the Interventional and Surgical Services (ISS) business (announced on May 9, 2006). Those businesses are now reported as discontinued operations, and the Company has reclassified historical comparisons accordingly. Including \$45.3 million of income tax expense related to the sale of the Clinical Phase II - IV business, the loss from discontinued operations was \$48.7 million in the third quarter of 2006. Primarily as a result of the tax expense, the Company reported a consolidated net loss for the third quarter of 2006 of \$16.6 million, or \$0.24 per diluted share, compared to consolidated net income of \$32.1 million, or \$0.44 per diluted share, in the third quarter of 2005.

Research Models and Services (RMS)

Sales for the RMS segment were \$127.6 million in the third quarter of 2006, an increase of 7.3% from \$118.9 million in the third quarter of 2005. Production sales increased in all geographic locations, with the strongest growth in North America and Europe. A broad range of pharmaceutical and biotechnology customers increased their purchases in the quarter, which more than offset lower sales to certain large pharmaceutical customers who have been moderating purchases in an effort to reduce their costs. Market share gains in both the commercial and academic sectors also contributed to the sales increase. Sales of In Vitro products increased in the quarter, while Transgenic Services in the United States continued to decline, but as expected, at a slower rate.

In the third quarter of 2006, the RMS segment's gross and operating margins were lower than in the third quarter of last year, primarily reflecting \$0.9 million associated with the adoption of SFAS 123R and continuing softness in Transgenic Services. On both a GAAP and non-GAAP basis, the segment's gross margin was 41.1%, compared to 42.0% for the third quarter of 2005, and the operating margin was 28.8%, compared to 30.9% for the same period last year. Costs of SFAS 123R reduced the third-quarter 2006 GAAP and non-GAAP operating margins by 0.7%.

Preclinical Services

Results for the Preclinical Services segment now include the Phase I Clinical business, and historical results have been restated accordingly.

Third-quarter net sales for the Preclinical Services segment were \$137.1 million, an increase of 10.6% from the \$123.9 million in the third quarter of 2005. Sales were driven by continuing strong demand from pharmaceutical and biotechnology customers.

On a GAAP basis, the Preclinical segment's gross margin was 36.4%, compared to 37.2% for the third quarter of 2005. The operating margin improved to 16.8% from 16.1%, as higher sales and improved operating efficiencies offset the \$2.0 million cost associated with adoption of SFAS 123R. On a non-GAAP basis, which excludes \$8.6 million of amortization related to the Inveresk acquisition, the third-quarter operating margin was 23.0% compared to 24.6% for the third quarter of 2005, with 123R costs accounting for the decline. Non-GAAP operating income for the third quarter of 2005 excluded amortization related to Inveresk of \$10.5 million.

Nine-Month Results

For the first nine months of 2006, net sales from continuing operations increased by 7.0% to \$786.7 million, compared to \$735.1 million in the same period in 2005. The negative effect of foreign exchange reduced the nine-month growth rate by approximately 0.7%.

On a GAAP basis, net income from continuing operations was \$93.4 million, or \$1.32 per diluted share, for the first nine months of 2006 compared to \$89.2 million, or \$1.24 per diluted share, for the same period in 2005. In accordance with SFAS 123R, results for the first nine months of 2006 included \$9.2 million, or \$0.08 per share, of stock option expense.

On a non-GAAP basis, net income from continuing operations was \$113.3 million, or \$1.60 per diluted share, for the first nine months of 2006 compared to \$115.4 million, or \$1.60 per diluted share, for the same period in 2005. For the first nine months of 2006, non-GAAP net income excluded the following charges:

- \$5.3 million, or \$0.05 per diluted share, for cost-saving initiatives implemented in the second quarter of 2006.
- \$25.9 million, or \$0.23 per share, of amortization and stock-based compensation costs associated with the acquisition of Inveresk.

Non-GAAP net income for the first nine months of 2005 excluded Inveresk-related charges of \$37.8 million, or \$0.36 per diluted share.

Including a loss of \$184.4 million from discontinued operations, of which \$129.2 million resulted from the goodwill impairment recorded in the first quarter of 2006 and \$45.3 million was the income tax expense associated with the sale of the Clinical Phase II - IV business, the consolidated net loss for the first nine months of 2006 was \$91.0 million, or \$1.28 per diluted share, compared to net income of \$91.6 million, or \$1.28 per diluted share, for the same period in 2005.

Research Models and Services (RMS)

For the first nine months of 2006, RMS net sales were \$387.3 million, a 2.6% increase over \$377.6 million for the first nine months of 2005, including a 1.3% negative effect of foreign exchange. On a GAAP basis, the RMS segment gross margin was 42.3% in the first nine months of 2006, compared to 43.5% for the same period last year, and the operating margin was 29.7% compared to 32.3%. On a non-GAAP basis, which excluded the \$2.3 million charge associated with the second quarter cost-saving initiatives, the operating margin was 30.3%, compared to 32.3% in the first nine months of 2005. Costs of \$3.6 million related to SFAS 123R reduced the GAAP and non-GAAP operating margins for the first nine months of 2006 by approximately 1.0%.

Preclinical Services

For the first nine months of 2006, Preclinical net sales were \$399.3 million, an increase of 11.7% from \$357.6 million for the first nine months of 2005. On a GAAP basis, the Preclinical segment gross margin was 35.3% in the first nine months of 2006, compared to 36.2% in the year-ago period, and the operating margin was 14.8% compared to 14.5%. On a non-GAAP basis, the operating margin was 21.9% in the first nine months of 2006 compared to 23.4% in the year-ago period. On a year-to-date basis, the cost of SFAS 123R was \$5.5 million, which reduced the GAAP and non-GAAP operating margins by 1.4%.

Stock Repurchase Program

Charles River presently has a stock repurchase authorization in place from its Board of Directors which provides for the purchase of up to \$300.0 million of its common stock. On August 23, 2006, the Company implemented an accelerated stock repurchase (ASR) program under which it repurchased approximately 1.8 million shares of common stock for \$75.0 million. Combined with previous purchases made under the existing stock repurchase authorization, the Company has repurchased a total of approximately 6.4 million shares at a cost of \$261.4 million. There is currently a balance of approximately \$38.6 million available for repurchases under the current authorization.

As of September 30, 2006, Charles River had approximately 66.9 million shares of common stock outstanding.

Guidance

The Company continues to maintain its forward-looking non-GAAP guidance based on continuing operations for 2006, which was originally provided with the first-quarter financial results on May 9, 2006.

2006 GUIDANCE (from continuing operations)

Net sales growth (in %)	6% - 8%
Sales (\$ in millions)	\$1,050 - \$1,075
GAAP EPS estimate	\$1.73 - \$1.79
Q2 cost-saving initiatives	\$0.05
Inveresk amortization and compensation charges	\$0.34
Non-GAAP EPS estimate	\$2.12 - \$2.18

Webcast

Charles River Laboratories has scheduled a live webcast on Tuesday, November 7, at 8:30 a.m. ET to discuss matters relating to this press release. To participate, please go to ir.criver.com and select the webcast link. You can also find the associated slide presentation and reconciliations to comparable GAAP measures on the website. The webcast will be available until 5:00 p.m. ET on November 21, 2006.

Use of Non-GAAP Financial Measures

This press release contains non-GAAP financial measures which exclude, among other items, amortization of intangible assets and other charges related to the Inveresk acquisition. We exclude these items from the non-GAAP financial measures because they are outside our normal operations. We believe that the inclusion of non-GAAP financial measures in this press release helps investors to gain a meaningful understanding of our core operating results and future prospects without the effect of one-time charges, and is consistent with how management measures and forecasts the Company's performance, especially when comparing such results to prior periods or forecasts. Non-GAAP results also allow investors to compare the Company's operations against the financial results of other companies in the industry who similarly provide non-GAAP results. The non-GAAP financial measures included in this press release 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 and regulations. Reconciliations of the non-GAAP financial measures used in this press release to the most directly comparable GAAP financial measures are set forth in the text of, and the accompanying exhibits to, this press release, and can also be found on the Company's website at ir.criver.com.

Caution Concerning Forward-Looking Statements

This news release 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," "will," "may," "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 also include statements regarding the future demand for drug discovery and development products and services, including the outsourcing of these services; the impact of specific actions intended to improve overall operating efficiencies and profitability; expectations regarding stock repurchases; the timing of the opening of new and expanded facilities; future cost reduction activities by our customers; and Charles River's future performance as delineated in our forward-looking guidance, and particularly our expectations with respect to sales growth, efficiency improvements and operating synergies. Forward-looking statements are based on Charles River's current expectations and beliefs, and involve a number of risks and uncertainties that are difficult to predict and that could cause actual results to differ materially from those stated or implied by the forward-looking statements. Those risks and uncertainties include, but are not limited to: a decrease in research and development spending, a decrease in the level of outsourced services, or other cost reduction actions by our customers; the ability to convert backlog to sales; 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 Charles River's Annual Report on Form 10-K as filed on March 14, 2006, as well as other filings we make with the Securities and Exchange Commission. Because forward-looking statements involve risks and uncertainties, actual results and events may differ materially from results and events currently expected by Charles River, and Charles River assumes no obligation and expressly disclaims any duty to update information contained in this news release except as required by law.

About Charles River Laboratories

Charles River Laboratories based in Wilmington, Massachusetts, partners with global pharmaceutical and biotechnology companies, government agencies and leading academic institutions to advance the drug discovery and development process, bringing drugs to market faster and more efficiently. Charles River's 7,500 employees serve clients worldwide. For more information on Charles River, visit our website at www.criver.com.

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	
	September 30, 2006	September 24, 2005	September 30, 2006	September 24, 2005
Total net sales	\$ 264,660	\$ 242,829	\$ 786,660	\$ 735,129
Cost of products sold and services provided	162,398	146,752	481,783	441,380
Gross margin	102,262	96,077	304,877	293,749
Selling, general and administrative	41,211	37,407	133,976	117,514
Amortization of intangibles	9,430	11,503	27,882	34,583
Operating income	51,621	47,167	143,019	141,652
Interest income (expense)	(3,604)	(3,868)	(10,281)	(14,964)
Other, net	45	(522)	(643)	(774)
Income before				

income taxes and minority interests	48,062	42,777	132,095	125,914
Provision for income taxes	15,489	12,349	37,170	35,226
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Income before minority interests	32,573	30,428	94,925	90,688
Minority interests	(440)	(539)	(1,496)	(1,446)
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Income from continuing operations	32,133	29,889	93,429	89,242
Income (loss) from discontinued businesses, net of tax	(48,739)	2,184	(184,401)	2,339
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Net income (loss)	\$ (16,606)	\$ 32,073	\$ (90,972)	\$ 91,581
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Earnings (loss)
per common share

Basic:

Continuing operations \$ 0.48 \$ 0.42 \$ 1.34 \$ 1.29

Discontinued operations \$ (0.73) \$ 0.03 \$ (2.64) \$ 0.03

Net income \$ (0.25) \$ 0.45 \$ (1.30) \$ 1.33

Diluted:

Continuing operations \$ 0.47 \$ 0.41 \$ 1.32 \$ 1.24

Discontinued operations \$ (0.72) \$ 0.03 \$ (2.60) \$ 0.03

Net income \$ (0.24) \$ 0.44 \$ (1.28) \$ 1.28

Weighted average
number of common
shares
outstanding

Basic 67,171,270 71,373,628 69,841,647 68,995,945

Diluted 68,053,872 73,372,960 70,829,692 72,942,571

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

	September 30, December 31,	
	2006	2005
Assets		
Current assets		
Cash and cash equivalents	\$ 253,504	\$ 114,821
Trade receivables, net	185,275	171,259
Inventories	71,821	65,128
Other current assets	46,389	26,858
Current assets of discontinued businesses	2,741	41,256
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Total current assets	559,730	419,322
Property, plant and equipment, net	460,856	387,501
Goodwill, net	1,097,449	1,097,590
Other intangibles, net	155,279	175,021

Deferred tax asset	97,162	68,046
Other assets	131,911	34,709
Long-term assets of discontinued businesses	828	356,020
	-----	-----
Total assets	\$ 2,503,215	\$ 2,538,209
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 24,116	\$ 36,263
Accounts payable	23,681	28,727
Accrued compensation	34,152	38,238
Deferred income	78,941	95,564
Accrued liabilities	36,133	38,625
Other current liabilities	36,318	43,581
Current liabilities of discontinued businesses	20,240	30,414
	-----	-----
Total current liabilities	253,581	311,412
Long-term debt	576,542	259,902
Other long-term liabilities	110,421	116,503
Long-term liabilities of discontinued businesses	-	13,661
	-----	-----
Total liabilities	940,544	701,478
	-----	-----
Minority interests	9,149	9,718
Total shareholders' equity	1,553,522	1,827,013
	-----	-----
Total liabilities and shareholders' equity	\$ 2,503,215	\$ 2,538,209
	=====	=====

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

	Three Months Ended		Nine Months Ended	
	-----		-----	
	September	September	September	September
	30,	24,	30,	24,
	2006	2005	2006	2005
Research Models and Services				
Net sales	\$127,560	\$118,882	\$387,348	\$377,565
Gross margin	52,423	49,984	163,767	164,280
Gross margin as a % of net sales	41.1%	42.0%	42.3%	43.5%
Operating income	36,691	36,713	115,170	122,071
Operating income as a % of net sales	28.8%	30.9%	29.7%	32.3%
Depreciation and amortization	5,185	5,024	15,457	14,800
Capital expenditures	3,932	5,583	12,281	17,375
Preclinical Services				
Net sales	\$137,100	\$123,947	\$399,312	\$357,564
Gross margin	49,839	46,093	141,110	129,469
Gross margin as a % of net sales	36.4%	37.2%	35.3%	36.2%
Operating income	22,971	19,947	59,289	51,713
Operating income as a % of net sales	16.8%	16.1%	14.8%	14.5%
Depreciation and amortization	15,389	16,510	45,302	50,231
Capital expenditures	39,038	39,831	87,479	51,798
Unallocated Corporate Overhead	\$ (8,041)	\$ (9,493)	\$ (31,440)	\$ (32,132)

Total				
Net sales	\$264,660	\$242,829	\$786,660	\$735,129
Gross margin	102,262	96,077	304,877	293,749
Gross margin as a % of net sales	38.6%	39.6%	38.8%	40.0%
Operating income (loss)	51,621	47,167	143,019	141,652
Operating income as a % of net sales	19.5%	19.4%	18.2%	19.3%
Depreciation and amortization	20,574	21,534	60,759	65,031
Capital expenditures	42,970	45,414	99,760	69,173

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)
(dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30,	24,	30,	24,
	2006	2005	2006	2005
Research Models and Services				
Net sales	\$127,560	\$118,882	\$387,348	\$377,565
Operating income	36,691	36,713	115,170	122,071
Operating income as a % of net sales	28.8%	30.9%	29.7%	32.3%
Add back:				
Second-quarter actions	-	-	2,334	-
Operating income, excluding specified charges (Non-GAAP)	\$ 36,691	\$ 36,713	\$117,504	\$122,071
Non-GAAP operating income as a % of net sales	28.8%	30.9%	30.3%	32.3%
Preclinical Services				
Net sales	\$137,100	\$123,947	\$399,312	\$357,564
Operating income	22,971	19,947	59,289	51,713
Operating income as a % of net sales	16.8%	16.1%	14.8%	14.5%
Add back:				
Amortization related to acquisition	8,592	10,673	25,381	32,066
Second-quarter actions	-	-	2,966	-
Operating income, excluding specified charges (Non-GAAP)	\$ 31,563	\$ 30,620	\$ 87,636	\$ 83,779
Non-GAAP operating income as a % of net sales	23.0%	24.7%	21.9%	23.4%
Unallocated Corporate Overhead	\$ (8,041)	\$ (9,493)	\$ (31,440)	\$ (32,132)
Add back:				
Stock-based compensation related to acquisition	162	1,085	564	5,761
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$ (7,879)	\$ (8,408)	\$ (30,876)	\$ (26,371)
Total				
Net sales	\$264,660	\$242,829	\$786,660	\$735,129
Operating income	51,621	47,167	143,019	141,652

Operating income as a % of net sales	19.5%	19.4%	18.2%	19.3%
Add back:				
Amortization related to acquisition	8,592	10,673	25,381	32,066
Stock-based compensation related to acquisition	162	1,085	564	5,761
Second-quarter actions	-	-	5,300	-

Operating income, excluding specified charges (Non-GAAP)	\$ 60,375	\$ 58,925	\$174,264	\$179,479
Non-GAAP operating income as a % of net sales	22.8%	24.3%	22.2%	24.4%

Charles River management believes that 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, consistent with the manner in which management measures and forecasts the Company's performance. The 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 and regulations.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2006	September 24, 2005	September 30, 2006	September 24, 2005
Net income (loss)	\$ (16,606)	\$ 32,073	\$ (90,972)	\$ 91,581
Less: Discontinued operations	48,739	(2,184)	184,401	(2,339)

Net income from continuing operations	32,133	29,889	93,429	89,242
Add back:				
Amortization related to acquisition	8,592	10,673	25,381	32,066
Stock-based compensation related to acquisition	162	1,085	564	5,761
Second-quarter actions:				
Severance	-	-	2,556	-
Impairment	-	-	2,644	-
Other	-	-	100	-
Tax effect	(2,755)	(3,627)	(11,350)	(11,691)

Net income from continuing operations, excluding specified charges (Non-GAAP)	\$ 38,132	\$ 38,020	\$ 113,324	\$ 115,378

	2015	2014	2013	2012
===== Calculation of earnings per common share, excluding specified charges (Non-GAAP):				
Net income for purposes of calculating earnings per share, excluding specified charges (Non-GAAP)	\$ 38,132	\$ 38,020	\$ 113,324	\$ 115,378
After-tax equivalent interest expense on 3.5% senior convertible debentures	-	-	-	1,463

Income for purposes of calculating diluted earnings per share, excluding specified charges (Non-GAAP)	\$ 38,132	\$ 38,020	\$ 113,324	\$ 116,841
===== Weighted average shares outstanding -				
Basic	67,171,270	71,373,628	69,841,647	68,995,945
Effect of dilutive securities:				
3.5% senior convertible debentures	-	-	-	1,987,465
Stock options and contingently issued restricted stock	752,838	1,677,113	851,755	1,623,966
Warrants	129,764	322,219	136,290	335,195

Weighted average shares outstanding - Diluted	68,053,872	73,372,960	70,829,692	72,942,571
===== Basic earnings (loss) per share				
	\$ (0.25)	\$ 0.45	\$ (1.30)	\$ 1.33
Diluted earnings (loss) per share	\$ (0.24)	\$ 0.44	\$ (1.28)	\$ 1.28
Basic earnings per share, excluding specified charges (Non-GAAP)				
	\$ 0.57	\$ 0.53	\$ 1.62	\$ 1.67
Diluted earnings				

per share,
excluding
specified charges
(Non-GAAP) \$ 0.56 \$ 0.52 \$ 1.60 \$ 1.60

Charles River management believes that 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, consistent with the manner in which management measures and forecasts the Company's performance. The 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 and regulations.

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SOURCE: Charles River Laboratories International, Inc.