



## Charles River Discusses Business Outlook with Investors

December 14, 2010

### Intensifies Focus on Four Key Initiatives to Drive Shareholder Value Provides 2011 Financial Guidance

WILMINGTON, Mass., Dec 14, 2010 (BUSINESS WIRE) -- Charles River Laboratories International, Inc. (NYSE: CRL) shared today its outlook for its business, highlighting its unique portfolio in the industry, which is well aligned with clients' increasing demand for integrated offerings from discovery through preclinical development. The Company also announced that it is intensifying its focus on four key initiatives to drive increased shareholder value, and provided guidance for 2011.

James C. Foster, Chairman, President and Chief Executive Officer, said, "Over the last two years, Charles River has taken decisive action to address the accelerating changes in the biopharmaceutical industry. We have aligned our infrastructure to current demand, rigorously managed operating costs and increased our stock repurchases, all of which were implemented to drive shareholder value. The four initiatives that we outlined today will allow us to further intensify our disciplined focus on driving profitable growth and maximizing value for our shareholders. By maintaining our focus on these initiatives, we will better position the company to operate successfully in the current and future business environment. The initial benefits of our intensified focus on cost management and capital allocation are demonstrated by our enhanced financial guidance, with non-GAAP earnings per share increasing to a range of \$2.20 to \$2.40 in 2011, or a robust 20% at the midpoint compared to our 2010 guidance."

The four key initiatives are centered on optimizing returns for shareholders, as follows:

- *Improving the consolidated operating margin.* By continuing to aggressively manage our cost structure and drive operating efficiencies, the Company expects to generate improving non-GAAP operating margins with a goal of 20% within three to five years, depending on the strength of recovery in demand for preclinical services. The Company has already implemented significant actions to reduce costs during the last two years to manage challenging industry-wide preclinical market conditions, including the most recent cost-saving actions that were announced in November, which were intended to reduce costs by approximately \$40 million in 2011.

As part of this initiative, the Company intends to pursue strategic alternatives for certain non-strategic or under-performing Preclinical Services assets, including the U.S. Phase I clinic and the China preclinical facility. These actions are expected to result in the elimination of approximately \$10 million in combined operating losses from the two facilities in 2011 on a non-GAAP basis, which will also contribute to improved cash flow.

- *Improving free cash flow generation.* The Company believes it has adequate capacity to support revenue growth in both business segments without significant additional investment for expansion. With improved operating margins, elimination of the specified operating losses and minimal requirements for capital expansion, the Company expects to continue to generate strong cash flow.
- *Disciplined investment in growth businesses.* The Company expects to maintain a disciplined focus on deployment of capital, investing in those areas of our existing business which will generate the greatest sales growth and profitability, such as Discovery Services, In Vitro products and Biopharmaceutical Services. The Company also intends to focus its sales efforts to reinvigorate growth in its core research models and preclinical services businesses.
- *Returning value to shareholders.* Under the current \$750 million authorization from its Board of Directors, the Company initiated a substantial stock repurchase program which is intended to drive immediate shareholder value and earnings per share accretion. The Company intends to complete the initial \$500 million of the Board's stock repurchase authorization by the end of 2011.

### 2010 Guidance

The Company is updating its forward-looking guidance for 2010, which was previously provided on November 3, 2010, to reflect its intention to pursue strategic alternatives for its U.S. Phase I clinic. The Company intends to treat the Phase I clinical business as a discontinued operation for accounting purposes, and therefore, its results will be excluded from sales and earnings per share on a continuing basis. The result of this change impacts 2010 sales and earnings per share guidance as follows:

2010 GUIDANCE (from continuing operations)	SALES (\$ in Millions)	GAAP EPS	NON-GAAP EPS
Prior guidance (provided November 3, 2010)	\$1,135 to \$1,145 (or ~5% decrease)	\$0.25-\$0.30	\$1.85-\$1.90

Adjustment to reflect U.S. Phase I business as a discontinued operation	~(\$20)	~\$0.03	~\$0.03
Revised guidance	\$1,115 - \$1,125	\$0.28-\$0.33	\$1.88 - \$1.93

A reconciliation of GAAP to non-GAAP earnings per share is as follows:

<b>2010 GUIDANCE (from continuing operations)</b>	<b>REVISED</b>	<b>PRIOR</b>
GAAP EPS estimate	\$0.28 - \$0.33	\$0.25 - \$0.30
Amortization of intangible assets	\$0.28	\$0.28
Severance costs and operating losses (1)	\$0.34	\$0.34
Impairment and other charges (2)	\$0.02	\$0.02
Costs associated with the evaluation of acquisitions (3)	\$0.54	\$0.54
Write-off of deferred financing costs related to debt extinguishment	\$0.04	\$0.04
Convertible debt accounting	\$0.14	\$0.14
Tax expense and other fees from cash repatriation	\$0.24	\$0.24
Non-GAAP EPS estimate	\$1.88 - \$1.93	\$1.85 - \$1.90

(1) These items include severance costs associated with the Company's fourth-quarter actions, as well as severance costs and operating losses primarily attributable to the suspension of operations at its PCS facility in Massachusetts.

(2) These items are primarily related to the fourth-quarter actions as well as an asset impairment associated with the Company's planned disposition of its PCS facility in Arkansas and the adjustment of contingent consideration related to acquisitions. These items do not include any potential fourth-quarter 2010 impairment charges related to goodwill, its preclinical facilities in Massachusetts and China, or its U.S. Phase I clinic.

(3) This item is related to the advisory fees, termination fee and related deal costs primarily associated with the proposed acquisition of WuXi PharmaTech.

The Company is also in the process of performing a year-end goodwill impairment analysis, as well as reviewing potential asset impairments primarily related to its preclinical facilities in Massachusetts and China, as well as its U.S. Phase I clinic. These analyses have not been completed at this time, but could result in impairment charges in the fourth quarter of 2010 and potentially in 2011, depending on the timing and outcomes of the strategic evaluation processes. As a result, the Company has not included any corresponding impairment charges in its 2010 or 2011 GAAP earnings per share guidance. Any charges would be excluded from non-GAAP results.

## 2011 Guidance

The Company is providing its forward-looking guidance based on continuing operations for 2011, which excludes the results of its U.S. Phase I clinic as a discontinued operation. Guidance for 2011 also excludes the operating loss of the China preclinical facility from non-GAAP results. For 2011, the Company expects sales to be approximately flat year-over-year. Based on current rates, foreign exchange is expected to have a negligible impact on consolidated sales.

Sales for the Research Models and Services (RMS) segment are expected to increase by 2% to 4%, driven by moderate price increases and continued sales gains in the RMS Services and In Vitro products businesses. Sales for the Preclinical Services (PCS) segment are expected to decline by 3% to 5%, primarily reflecting less specialty toxicology in the sales mix.

GAAP earnings per share for 2011 are expected to be in a range of \$1.55 to \$1.75. Non-GAAP earnings per share are expected to be in a range of \$2.20 to \$2.40, a growth rate of approximately 20% over expected 2010 results at the midpoint of the guidance ranges. This meaningful earnings per share growth will be driven by the substantial benefit from cost-saving actions and stock repurchases.

A reconciliation of GAAP to non-GAAP earnings per share is as follows:

<b>2011 GUIDANCE (from continuing operations)</b>	
GAAP EPS estimate	\$1.55 - \$1.75
Amortization of intangible assets	\$0.27
Severance costs and operating losses (1)	\$0.18
Impairment and other charges (2)	\$0.02
Convertible debt accounting	\$0.18
Non-GAAP EPS estimate	\$2.20 - \$2.40

(1) These items include severance costs associated with the Company's fourth-quarter 2010 actions, as well as operating losses primarily attributable to the suspension of operations at its PCS facility in Massachusetts and its China preclinical facility, for which the Company intends to pursue strategic alternatives.

(2) These items are primarily related to lease impairment charges associated with the Company's fourth-quarter 2010 actions. These items do not include any potential 2011 impairment charges related to its China preclinical facility or its U.S. Phase I clinic.

## Webcast

Charles River Laboratories has scheduled a live webcast on Tuesday, December 14, at 8:30 a.m. ET 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. You can also find the associated slide presentation and reconciliations of non-GAAP financial measures to comparable GAAP financial measures on the website.

## Use of Non-GAAP Financial Measures

This press release contains non-GAAP financial measures, such as non-GAAP earnings per diluted share from continuing operations, which exclude amortization of intangible assets and other charges related to our acquisitions, expenses associated with evaluating acquisitions (including costs related to the termination of the acquisition of WuXi PharmaTech), charges and operating losses attributable to our businesses we plan to close or divest, severance costs associated with our 2009 and 2010 cost-saving actions, tax expense associated with the repatriation of cash into the United States, write-offs of deferred financing costs related to the extinguishment of debt, the additional interest recorded as a result of the adoption in 2009 of an accounting standard related to our convertible debt accounting which increased interest and depreciation expense, and the positive impact of adjustments to contingent consideration payable for earlier acquisitions. We exclude these items from the non-GAAP financial measures because they are outside our normal operations. There are limitations in using non-GAAP financial measures, as they are not prepared in accordance with generally accepted accounting principles, and may be different than non-GAAP financial measures used by other companies. In particular, we believe that the inclusion of supplementary 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 these often-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. We believe that the financial impact of our acquisitions (and in certain cases, the evaluation of such acquisitions, whether or not ultimately consummated) is often large relative to our overall financial performance, which can adversely affect the comparability of our results on a period-to-period basis. In addition, certain activities, such as business acquisitions, happen infrequently and the underlying costs associated with such activities do not recur on a regular basis. 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 this press release, and can also be found on the Company's website at [ir.criver.com](http://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 our projected 2010 and 2011 financial performance including sales, earnings and EPS; the pursuit of our initiatives to optimize returns for shareholders, including efforts to improve our operating margins, improve free cash flow, invest in growth businesses, and return value to shareholders; potential goodwill and asset impairments currently under review; the future demand for drug discovery and development products and services (particularly in light of the challenging economic environment); our expectations regarding stock repurchases, which include our accelerated stock repurchase program, the number of shares to be repurchased, expected timing and duration, the amount of capital that may be expended and the treatment of repurchased shares; the development and performance of our services and products; market and industry conditions including the outsourcing of these services and spending trends by our customers; the impact of specific actions intended to more accurately align our infrastructure to the current operating environment, and to improve overall operating efficiencies and profitability; and Charles River's future performance as otherwise delineated in our forward-looking guidance, and particularly our expectations with respect to sales and foreign exchange impact. 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: the ability to successfully integrate businesses we acquire; the ability to execute our fourth-quarter 2010 actions on an effective and timely basis; the timing and magnitude of our share repurchases; negative trends in research and development spending, negative trends 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 February 19, 2010, 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

Accelerating Drug Development. Exactly. Charles River provides essential products and services to help pharmaceutical and biotechnology companies, government agencies and leading academic institutions around the globe accelerate their research and drug development efforts. Our approximately 7,500 employees worldwide are focused on providing clients with exactly what they need to improve and expedite the discovery, development through first-in-human evaluation, and safe manufacture of new therapies for the patients who need them. To learn more about our unique portfolio and breadth of services, visit [www.criver.com](http://www.criver.com).

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