



PRESS RELEASE

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LAB Research Announces its 2008 Second Quarter Financial Results

Record revenues of \$16.1 million and strong backlog

Laval, Quebec, July 31, 2008 – **LAB Research Inc.** (TSX: LRI) (“LAB Research” or the “Company”), a Canadian-based global non-clinical contract research organization, today announced its 2008 second quarter financial results. This press release contains forward-looking information, investors are invited to read the cautionary language contained under “Forward-Looking Statements” below.

Highlights

Three months ended June 30, 2008 and 2007:

- Revenues of \$16.1 million, up 9% with strong performance from Canada and Denmark where combined revenues increased by 19% offset by a decrease in Hungary;
- Adjusted EBITDA of \$3.0 million, down 12% (up 15% compared to Q1 2008);
- Net earnings of \$0.7 million (\$0.04 per share), down 54% (up 37% compared with Q1 2008);
- Backlog of \$28.8 million, up 31%;
- Backlog in Hungary up 25%, compared to Q1 2008, representing 1.8:1 book to bill ratio

Six months ended June 30, 2008 and 2007:

- Revenues of \$31.5 million, up 14%;
- Adjusted EBITDA of \$5.5 million down 10%;
- Net earnings of \$1.3 million (\$0.07 per share), down 55%;
- Backlog up 7% (335% in Hungary representing a book to bill ratio of 2.27:1).

“In the second quarter of 2008, our Canadian and Danish sites continued to yield excellent performance and profit growth. Their combined revenues increased by 19% compared to the results achieved in the second quarter of 2007, while their combined adjusted EBITDA increased by 11%. The Company’s overall financial performance was still affected by our Hungarian site, which recorded sales of \$1.3 million in the second quarter of the current fiscal year due to slow study starts. As mentioned in our Q1 press release, the situation in Hungary is improving as evidenced by our strong contract signing. In fact, the backlog went from \$1.4 million in December 2007, to \$3.9 million in March 2008, and to \$4.8 million in June 2008, an increase of more than 300% in six months. This backlog should convert into higher revenues and better financial performance in the second half of 2008 as more revenues from signed contracts start being recognized,” said Luc Mainville, President and Chief Executive Officer of LAB Research.

Financial Results for the Quarter Ended June 30, 2008

LAB Research posted record revenues of \$16.1 million in the second quarter of 2008, up 9% compared to \$14.7 million in the second quarter of 2007. While LAB Canada and LAB Denmark's combined revenues increased by 19%, the revenues of the Hungarian site declined by 44%.

Our Canadian non-clinical operations ("LAB Canada") posted record revenues of \$7.0 million in the second quarter of 2008, up 10% compared to \$6.4 million during the same period of 2007, and up 13% compared to \$6.2 million in the first quarter of 2008. These increases are attributable to increased utilization of capacity following the December 2006 expansion and a good study mix.

Our Danish subsidiary ("LAB Denmark") posted revenues of \$7.8 million in the second quarter of 2008, up 28% compared to \$6.1 million in the second quarter of 2007. This increase is attributable to an increased utilization of capacity, expanded by 25% in July 2007.

Our Hungarian subsidiary ("LAB Hungary") posted revenues of \$1.3 million in the second quarter of 2008, down 44% compared to \$2.3 million generated in the same period of 2007. This significant decrease is due to slower than anticipated study starts and a less than optimal study mix composed of a high percentage of studies from the agro-chemical market in 2008. These studies provide less revenues and lower margins than the more lucrative pharma and biotech markets. Nevertheless, the backlog has increased more than three fold since December 2007, from \$1.4 million to \$4.8 million as at June 30, 2008 representing a book-to-bill ratio of 2.27:1 for that six-month period. While we are pleased by the increase in backlog in Hungary, we have experienced a high level of delays in the initiation of many lucrative contracts which we anticipated would have contributed to a more rapid recovery of our revenues in Hungary. Nevertheless, we are benefiting from incremental contract signing which we expect should provide better revenues in Hungary for the balance of 2008.

Overall, the Company's gross margin was 33% in the second quarter of 2008, compared with 39% in the second quarter of 2007 (33% in the first quarter of 2008). While Canadian gross margin held steady, gross margin for Danish activities decreased by 10% and went from 43% to (14%) in Hungary. The negative variances are explained in Denmark, by higher salary costs and less than optimal study mix, and in Hungary by lower than anticipated revenues. For the second quarters of 2008 and 2007, earnings before interest, income taxes, depreciation and amortization ("EBITDA") stood at \$3.0 million (adjusted EBITDA of \$3.0 million considering the impact of the Canadian facility's sale-leaseback transaction) and \$3.3 million (adjusted EBITDA \$3.4 million), respectively.

The Company's 2007 repurchase of the Canadian site and improvement at the Danish and Hungarian sites increased amortization and interest expenses. In fact, amortization expense was \$1.3 million, compared with \$1.0 million in the second quarter of 2007, and net interest expense was \$0.6 million, compared with \$0.3 million in the second quarter of 2007.

As a result, net earnings were \$0.7 million, compared with \$1.6 million for the same period of 2007. Note that Canadian and Danish operations generated net combined earnings of \$1.7 million, while Hungarian operations recorded a net loss of \$0.4 million. Earnings per share were \$0.04 per share (\$0.04 per share on a diluted basis) on the basis of 18,062,526 weighted average shares outstanding (basic), compared with earnings per share of \$0.09 (\$0.09 per share on a diluted basis) for the same period in 2007 on the basis of 18,035,714 shares.

Financial Results for the Half-Year Ended June 30, 2008

LAB Research posted revenues of \$31.5 million in the first six months of 2008, up 14% compared to \$27.7 million during the same period of 2007. While LAB Canada and LAB Denmark's combined revenues increased by 26%, Hungarian revenues declined by 45%. LAB Canada posted revenues of \$13.2 million, up 27% compared to \$10.4 million in the first half of 2007. LAB Denmark posted revenues of \$15.7 million, up 26% compared to \$12.5 million during the same period of 2007. Finally, LAB Hungary posted revenues of \$2.7 million, down 45%, compared to \$4.9 million in the first half of 2007.

Gross margin was 33%, compared to 39% for the same period in 2007. Adjusted EBITDA totalled \$5.5 million, compared to \$6.2 million, representing adjusted EBITDA margins of 18% and 22%, respectively.

The Company's net earnings totalled \$1.3 million, compared to \$2.9 million for the same period in 2007. During the first six months of 2008, Canadian and Danish operations generated net combined earnings of \$3.3 million, compared to \$2.8 million in the first half of 2007. This strong performance was offset by a reduced performance of our Hungarian site. Earnings per share were \$0.07 (\$0.07 per share on a diluted basis) on the basis of 18,056,615 weighted average shares outstanding (basic), compared with earnings per share of \$0.16 (\$0.15 per share on a diluted basis) for the same period in 2007 on the basis of 18,035,714 shares.

Canadian Site Expansion

In the second half of 2007, the Company initiated a major expansion of its Canadian site. Significant progress was achieved in the first six months of 2008, and completion is still expected early in the fourth quarter of 2008 with some capacity added by the end of the third quarter. This expansion will increase the facility from 87,000 to 170,000 square feet and its animal housing capacity from 36 to 80 rooms. Once completed and fully equipped, the expanded site capacity should increase three-fold. As announced on May 6, 2008, the Company secured bank financing in the amount of \$21.1 million. The loan consists of a \$13.7 million mortgage with a 16-year term and a \$7.4 million loan to finance equipment, repayable over 11 years. As at June 30, 2008, the projected \$24 million expansion budget had been committed as well as \$1 million of the 2009 planned expenditures which have been accelerated to initiate Absorption, Distribution, Metabolism, Excretion ("ADME") services more rapidly. As we are approaching the commissioning of the building, we are foreseeing completion ahead of the original schedule and within budget.

Follow-up on the Litigation by a Sponsor

On January 30, 2008, the Company was informed by one of its sponsors that it had received notice from the Food and Drug Administration ("FDA") that the animal inhalation toxicology studies conducted by LAB Hungary were rejected due to Good Laboratory Practices ("GLP") deficiencies. In their letter to the sponsor, the FDA had highlighted deficiencies already mentioned and addressed by LAB Hungary in its final GLP report of the respective studies to the sponsor. Following issuing of the reports by LAB Hungary, each of the Company, the sponsor and its third party expert concluded that these deficiencies did not alter the results of the studies. Consequently, the sponsor filed its Investigational New Drug filing with the FDA in September 2007. On June 3, 2008, LAB Research received a revised demand letter from the sponsor seeking recovery of some study costs in the amount of €2.7 million (\$4.4 million), payment of the costs to repeat the studies

evaluated at US\$5 million (\$5.1 million), and damages in the amount of US\$20 million (\$20.4 million) representing the licensing fees the sponsor claimed it would have received from a potential partner.

The sponsor also reaffirmed its intention to seek damages from the Company associated with the reduced market capitalization and loss of rights under the sponsor's existing licensee, which the sponsor admittedly could not calculate. Following an investigation and a review of the claim received from the sponsor, the Company's insurer has indicated to LAB Research that the loss would appear to be covered by the Company's insurance policy up to its coverage level subject to review of a prospective breakdown of damages or legal action, if taken by the sponsor. Under the contract signed between the sponsor and the Company concurrently with the Initial Public Offering of August 3, 2006, the Company cannot be held liable for any incidental, indirect or consequential damages of the sponsor and LAB Research's liability is limited to the amount received for such study work and, even in the case of gross negligence, cannot exceed two times the amount received for the study, an amount far less than the figures now being claimed.

LAB Research continues to believe that most GLP deficiencies were directly the result of the study protocol dictated by the sponsor. The sponsor is seeking full reimbursement of the study costs which assumes that the studies would have met regulatory requirements and that the study findings would have provided no benefits to the sponsor in reaching this goal. Since the FDA notice, the sponsor has publicly confirmed that the toxicology studies had been re-initiated, and that the protocols had been modified to take into account findings of the studies performed by LAB Hungary.

We intend to vigorously contest any future legal action taken by the sponsor. The ultimate resolution of this matter and the estimated damages, if any, cannot be determined and, accordingly, the Company has not recorded any provision in its financial statements for this matter.

On December 21, 2007, LAB Research was served with an introductory motion of suit from one of its former suppliers claiming an amount of \$1.4 million for the breach of a right of first refusal. On May 7, 2008, LAB Research served its defence denying liability for the principal claim and filed its own cross-claim for damages caused by same supplier during the construction of the previous phase of building expansion in Canada. The ultimate resolution of this matter and the estimated damages, if any, cannot be determined and, accordingly, the Company has not recorded any provision in its financial statements for this matter.

LAB Research is party to other litigation arising in the normal course of operations. LAB Research does not expect the resolution of these other matters to have a materially adverse effect on the financial position of results of operations of the Company.

Towards a Strong Ending of 2008

Achieving critical mass and maximizing capacity utilization are two of LAB Research's main objectives. These key success factors allow for increased scheduling flexibility and internalization of additional services, leading to higher profit margins. Since December 2006, LAB Research added 106,000 square feet to its overall surface area, numerous services, and more than 100 high-calibre employees. The site's average surface area is now 115,000 square feet (51 animal rooms), compared to an estimated average of 286,000 square feet (131 animal rooms) for the world's five largest non-clinical Contract Research Organizations. Following the completion of LAB Research's Canadian expansion in the fourth quarter of the current fiscal year, its total surface area will be 427,000 square

feet, for an average of 142,000 square feet per site and 66 animal rooms, representing a 94% increase in square footage and 77% increase in animal rooms since the 2006 Initial Public Offering.

“Our Canadian and Danish sites have done very well at maximizing their capacity utilization following recent expansions. As for our Hungarian site, the expansion of which was completed in the third quarter of 2007, capacity utilization remains our main objective. Through the efforts of the new management and all employees, the backlog has increased considerably since the beginning of the year, and this will translate into increased revenues and gross margin in the coming quarters. All in all, we are still confident that our 2008 growth rate will exceed the industry’s projected 15% growth, and that the Company’s profitability will return to its historical levels,” added Mr. Mainville. *“The ongoing litigation with our former parent company impacted our ability to quickly recover from a difficult year, last year, in Hungary. Nevertheless we remain very optimistic about the ability of the site to reach profitability in the coming quarters based on our growing backlog. Based on progress made to date, we are convinced that LAB Hungary has the required ingredients to be successful.”* added Mr. Mainville

Forward-Looking Statements

Certain statements in this document are forward looking and prospective. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers of this document are cautioned not to place undue reliance on our forward-looking statements as a number of factors could cause future results, conditions, actions, or events to differ materially from the operating target, expectations, estimates, or intentions expressed in the forward-looking statements. For additional information on these and other factors, see the reports filed by LAB Research with Canadian securities regulators.

Forward-looking statements reflect our current views with respect to future events and are based upon what we believe are reasonable assumptions and subject to risks and uncertainties. These forward-looking statements represent our estimates and assumptions only as at the date of this document. We undertake no obligation and do not intend to update or revise these forward-looking statements, unless required by law.

About LAB Research Inc.

LAB Research is a Canadian global non-clinical contract research organization that provides contract research services to the pharmaceutical, biotechnology, agro-chemical, petro-chemical, and industrial markets. LAB Research supports the development of its clients’ products from three state-of-the-art facilities located in Canada, Denmark, and Hungary. LAB Research shares trade on the TSX under the symbol “LRI,” with 18.1 million shares outstanding.

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For more information:

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Appendix 1: Non Generally Accepted Accounting Principles (“GAAP”) Measures

We use certain non-GAAP measures, including Book to Bill ratio, Backlog, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Gross Margin, as financial performance indicators. The Company believes such measures provide meaningful information on its performance and operating results. However, readers are cautioned that non-GAAP measures do not have a standardized meaning under GAAP and, thus, they are unlikely to be comparable to similar measures presented by other issuers.

(a) EBITDA

The following table reconciles our net earnings to our EBITDA and our Adjusted EBITDA, from continuing activities by reporting periods.

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>(in thousands of dollars)</i>				
Net earnings from continuing activities	748	1 615	1 295	2 871
Adjustments for:				
Income taxes	332	304	547	668
Interest on long-term debt	573	376	1 153	487
Amortization	1 303	968	2 538	1 793
EBITDA	2 956	3 263	5 533	5 819
Rent Expense ⁽¹⁾	-	102	-	363
Adjusted EBITDA	2 956	3 365	5 533	6 182
Adjusted EBITDA margin %	18,3%	22,8%	17,5%	22,3%

(1) Rent expense on the Canadian facility, as a result of the sale-leaseback transaction from November 1, 2005 to April 16, 2007 (see below).

While operating as a segment of our former parent company, Akela Pharma Inc. (“Akela”), we entered into a sale-leaseback transaction on the Canadian facility, which took effect on November 1, 2005. On April 17, 2007, following the Initial Public Offering (“IPO”), and in accordance with our strategic growth plan, we reacquired the property. Accordingly, prior to November 1, 2005 and after April 16, 2007, “amortization” includes amortization of the related building and “interest, net” includes interest expense on the long-term debt secured by the building. Between November 2005 and April 2007, while the sale-leaseback transaction was in effect, amortization and interest expense related to the building was replaced by “rent expense” in our statements of earnings.

(b) Gross margin

Gross margin refers to revenues less direct costs. Direct costs do not include depreciation expense of assets used in our direct operations.

The following table presents our gross margins from continuing activities by reporting periods.

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>(in thousands of dollars)</i>				
Revenues	16 120	14 742	31 549	27 727
Direct costs	10 882	8 935	21 247	16 928
Gross Margin	5 238	5 807	10 302	10 799
Gross Margin %	32,5%	39,4%	32,7%	38,9%

LAB RESEARCH INC.

Consolidated Balance Sheets
(Unaudited)

June 30, 2008 and December 31, 2007
(in thousands of Canadian dollars)

	June 30, 2008	December 31, 2007 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,511	\$ 6,825
Accounts and other receivables	10,574	9,450
Work in progress	4,525	2,913
Income taxes receivable	3,202	1,894
Prepaid expenses	1,090	1,361
Future income taxes	906	916
	<u>24,808</u>	<u>23,359</u>
Property and equipment	81,164	60,176
Intangible assets	2,023	2,076
Other assets	3,574	3,598
Future income taxes	3,398	3,435
	<u>\$ 114,967</u>	<u>\$ 92,644</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,260	\$ 10,066
Building expansions related accounts payable	7,111	1,607
Deferred revenue	8,873	7,949
Current portion of long-term debt	2,667	2,111
Holdback payable	1,442	203
Future income taxes	579	585
	<u>29,932</u>	<u>22,521</u>
Long-term debt	45,314	33,825
Future income taxes	1,903	1,924
Shareholders' equity:		
Share capital	63,873	63,753
Additional paid-in capital	882	682
Accumulated other comprehensive earnings (loss)	643	(1,186)
Deficit	(27,580)	(28,875)
	<u>37,818</u>	<u>34,374</u>
	<u>\$ 114,967</u>	<u>\$ 92,644</u>

LAB RESEARCH INC.

Consolidated Statements of Earnings
(Unaudited)

Periods ended June 30, 2008 and 2007
(in thousands of Canadian dollars, except per share and share data)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenues	\$ 16,120	\$ 14,742	\$ 31,549	\$ 27,727
Expenses:				
Direct costs	10,882	8,935	21,247	16,928
Selling, general and administrative	2,765	2,303	5,204	4,627
Stock-based compensation	114	113	231	226
Amortization of property and equipment	1,164	838	2,267	1,528
Amortization of intangible assets	139	130	271	265
Interest, net	562	338	1,106	409
Foreign exchange	(586)	166	(619)	205
	15,040	12,823	29,707	24,188
Earnings before income taxes from continuing operations	1,080	1,919	1,842	3,539
Provision for income taxes	332	304	547	668
Net earnings from continuing operations	748	1,615	1,295	2,871
Net loss from discontinued operations	-	(25)	-	(74)
Net earnings	\$ 748	\$ 1,590	\$ 1,295	\$ 2,797
Earnings per share:				
Basic:				
Continuing operations	\$ 0.04	\$ 0.09	\$ 0.07	\$ 0.16
Discontinued operations	-	-	-	-
	\$ 0.04	\$ 0.09	\$ 0.07	\$ 0.16
Diluted:				
Continuing operations	\$ 0.04	\$ 0.09	\$ 0.07	\$ 0.16
Discontinued operations	-	-	-	(0.01)
	\$ 0.04	\$ 0.09	\$ 0.07	\$ 0.15
Weighted average number of outstanding shares:				
Basic	18,062,526	18,035,714	18,056,615	18,035,714
Effect of dilutive options	415,237	352,159	412,704	233,664
Diluted	18,477,763	18,387,873	18,469,319	18,269,378

LAB RESEARCH INC.

Consolidated statements of Cash Flows
(Unaudited)

Periods ended June 30, 2008 and 2007
(in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Cash flows from operating activities:				
Net earnings	\$ 748	\$ 1,590	\$ 1,295	\$ 2,797
Net loss from discontinued operations	-	25	-	74
Net earnings from continuing operations	748	1,615	1,295	2,871
Adjustments for:				
Amortization of property and equipment	1,164	838	2,267	1,528
Amortization of intangible assets	139	130	271	265
Unrealized gain on foreign exchange	(127)	(30)	(147)	(10)
Stock-based compensation	114	113	231	226
Future income taxes	(144)	(344)	(248)	(1,017)
Other	5	69	14	89
Net changes in non-cash operating assets and liabilities	(1,448)	(2,408)	(2,743)	(1,946)
	451	(17)	940	2,006
Net cash from operations provided by discontinued operations	-	97	-	175
	451	80	940	2,181
Cash flows from financing activities:				
Proceeds from issuance of shares	89	-	89	-
Proceeds from issuance of long-term debt	11,305	23,100	11,358	23,100
Repayment of long-term debt	(640)	(3,138)	(1,060)	(3,356)
Repayment of capital leases	(165)	(138)	(291)	(289)
Repayments under bank credit facilities	-	-	-	(223)
	10,589	19,824	10,096	19,232
Cash flows from investing activities:				
Cash held in escrow	-	500	-	-
Payment of holdback payable	(59)	(34)	(59)	(835)
Additions to property and equipment	(9,650)	(20,230)	(13,016)	(23,340)
Proceeds from disposal of property and equipment	-	69	-	86
Loan receivable	-	(300)	-	(300)
Other assets	7	27	(7)	19
	(9,702)	(19,968)	(13,082)	(24,370)
Effect of exchange rate changes on cash and cash equivalents	(478)	(105)	(268)	(92)
Net increase (decrease) in cash and cash equivalents	860	(169)	(2,314)	(3,049)
Cash and cash equivalents, beginning of period	3,651	5,636	6,825	8,516
Cash and cash equivalents, end of period	\$ 4,511	\$ 5,467	\$ 4,511	\$ 5,467