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Toronto Stock Exchange Symbol: LRI

## LAB RESEARCH ANNOUNCES ITS 2009 FINANCIAL RESULTS

### Quarterly backlog improvement of 31.4%

### 54% jump in request for quotations and new services launched to drive double-digit revenue growth in local currencies in the first quarter of 2010.

LAVAL, QC, March 31, 2010 - LAB Research Inc. ("LAB Research" "LRI" or the "Company") (TSX: LRI), a global Canadian-based non-clinical contract research organization, today announced its fourth quarter and 2009 year-end financial results.

This press release contains forward-looking information; investors are cautioned that the statements are based on current information and assumptions and that actual outcome may vary.

This press release refers to non-Generally Accepted Accounting Principles ("GAAP") measures, including Earnings before Interest, Income Taxes, Depreciation and Amortization ("EBITDA"), Adjusted EBITDA, Adjusted net loss, Gross margin, Backlog, Active Backlog and Book to Bill ratio 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, are unlikely to be comparable to similar measures presented by other issuers. The backlog represents the value of client contracts for services that have not yet been performed. Active backlog represents the value of client contracts for services that have not yet been performed but that have been initiated (active). The book to bill ratio refers to the value of signed contracts (excluding any cancellations) in a particular period divided by the net revenue reported during the same period.

### 2009 Financial Highlights

- Revenues of \$53.3 million, down 9% compared to \$58.5 million in 2008;
- Adjusted EBITDA of \$1.8 million compared to \$4.7 million in 2008;
- Restructuring charges of \$0.2 million compared to \$1.1 million in 2008;
- Net loss of \$10.4 million after \$4.0 million tax assets valuation allowance, compared to \$6.6 million in 2008;

- Adjusted net loss, excluding restructuring charges, settlement of law suit, write-off of deferred financing fees and tax assets valuation allowance, of \$6.2 million compared to \$4.2 million in 2008;
- Net loss per share of \$0.39, compared to \$0.37 per share in 2008;
- Consolidated 2009 Book to Bill ratio of 0.97:1 (compared to 1.17:1 in 2008), including 0.97:1 for Canada, 0.85:1 for Denmark and 1.39:1 for Hungary;
- Consolidated fourth quarter 2009 Book to Bill ratio of 1.63:1 (compared to 1.37:1 in 2008), including 2.19:1 for Canada, 1.12:1 for Denmark and 1.61:1 for Hungary;
- 31.4% increase in backlog during the fourth quarter at \$35.3 million, compared to \$26.8 million as at September 30, 2009. 4.1% decrease in backlog at \$35.3 million, compared to \$36.8 million as at December 31, 2008.

### **Other 2009 and 2010 Highlights**

- Closing of a \$14.2 million Rights Offering;
- Closing of a \$7.5 million loan from Investissement Quebec;
- Canadian banking facilities renegotiated;
- Favourable settlement of Akela law-suit
- 3 master services agreements signed with global industry leaders;
- South Korean market coverage extension through a new exclusive agency agreement;
- Completion of R&D program involving world-premiere real time cardio-pulmonary monitoring;
- New services and clients drive greater portion of new contracts wins in 2010;
- 54% increase in request for quotations in the first quarter of 2010 compared to last year; and
- Double-digit revenue increase projected for the first quarter of 2010 in local currencies compared to last year.

"2009 was a transition period for our Company as we addressed the balance sheet impacts of our pre-recession expansion, the global recession itself, reduction in Global R&D spending, and a difficult pricing environment. Already in 2010 we are experiencing the early benefits of our expansion and the late third quarter 2009 Rights Offering." said Mr. Luc Mainville, President and CEO of LAB Research. , "Although our 2009 revenues were down compared to 2008, we fared comparatively well against the industry-wide much larger revenue decline. We recognize that the timing of our expansion program in Canada has created an additional challenge to our financial performance, but we are excited at the potential benefits of our expanded capabilities. We look forward to continue implementing our growth initiatives aimed at leveraging this 200% + increase in capacity. In the last quarter of 2009 and so far in 2010, we are pleased to see the strong recovery made at our Danish site following a difficult third quarter 2009. We are also pleased to have experienced continued quarterly revenue increases at our Hungarian facility throughout 2009 and continued progress in 2010. Although business prospects for our Canadian site were seriously impacted by our pre-financing situation, the site was able to maintain its revenues compared to 2008 and 2010 contracts and activity are showing promising benefits of our expansion program. With a strong pick-up in request for proposals throughout our 3 sites, a 1.63 book-to-bill in the last

quarter of 2009, the strong financial recovery from our European sites and management changes implemented in Canada to drive immediate and continued improved financial performance, we are committed to capitalize on the current market opportunities and bring the company back to profitability." added Mr. Mainville.

## **2009 Financial Results**

LAB Research posted revenues of \$13.3 million for the fourth quarter of 2009, up 1.5% compared to the \$13.1 million in the third quarter of 2009, and up 3.8% compared to the \$12.8 million generated in the fourth quarter of 2008. For the year-ended December 31, 2009, LAB posted revenues of \$53.3 million, down 9.0% compared to \$ 58.5 million in 2008. This compares favorably to the industry-wide revenue decline which we estimate to have been approximately 20% last year.

Our Canadian pre-clinical operations ("LAB Canada") posted revenues of \$5.5 million during the fourth quarter of 2009, down 21.4% compared to the \$7.0 million achieved in the third quarter of 2009, and down 9.2% compared to the \$6.1 million achieved in the fourth quarter of 2008. The decrease is mainly due to commercial setbacks related to the negative market perception about the Company's long term financial viability resulting from the pre-financing commercial overhang and the highly competitive North American pricing environment. For 2009, notwithstanding the difficult pricing environment LAB Canada posted revenues of \$25.1 million, in line with those achieved in 2008.

Our Danish subsidiary ("LAB Denmark") posted revenues of \$5.9 million for the fourth quarter of 2009, up 40.5% compared to the \$4.2 million for the third quarter of 2009, and up 4.2% compared to the \$5.7 million achieved during the fourth quarter of 2008. Despite soft market conditions, the request for proposal activity from new clients has increased significantly during the last few months in part due to our expanded service offering and continued branding efforts. The latter translated into higher contract signings and revenues for the last quarter. Adjusted net earnings for the fourth quarter stood at \$0.01 million compared to an adjusted net loss of \$1.3 million in the same period of 2008 and an adjusted net loss of \$1.2 million for the third quarter of 2009. For 2009, LAB Denmark posted revenues of \$21.8 million, down 23.5% compared to \$28.5 million achieved during 2008. This revenue decline is attributable to lower than expected contract signings during the last months of 2008 and the first half of 2009 due to the global market downturn and stronger competition from UK based CRO's benefiting from a weaker currency compared to the Danish Kroner over the last year.

Our Hungarian subsidiary ("LAB Hungary") posted revenues of \$1.9 million for the fourth quarter of 2009 in line with those generated during the third quarter of 2009, and up 71.7% compared to the \$1.1 million achieved in the fourth quarter of 2008. The revenue increase is due to more contract signings from Japanese clients as a result of the Media Services agreement signed a year before, and the expansion of the biotech/pharma clientele following the site GLP-recertification in late 2008. For 2009, LAB Hungary posted revenues of \$6.4 million, up 28% compared to the \$5.0 million generated in 2008. During 2009, revenues increased from quarter to quarter.

The Company's gross margin was 23.9% for the fourth quarter of 2009 compared to 28.3% for the third quarter of 2009 and 22.2% for the fourth quarter of 2008. The gross margin of LAB Hungary increased from (20.6%) to 32.6% from the fourth quarter of 2008 to the fourth quarter of 2009 due to higher revenues. For the same periods, the gross margin of LAB Denmark increased from 14.3% to 28.2% due to higher revenues and cost control initiatives. These increases were offset by a decrease in gross margin of LAB Canada from 37.6% to 16.3% between the fourth quarter of 2008 and 2009. The decrease is due to lower revenues linked to the mid-year 2009 industry-wide adverse price environment. Management expects to see margins recover in 2010 as a result of continued cost control initiatives, senior management restructuring, the launch of new high-margin services and a more favourable pricing environment. For 2009, our overall gross margin was 27% compared to 28.6% generated in 2008. While our three sites were experimenting increased fixed costs following the 2006-2008 expansions, our gross margin decreased in Canada (from 37.3% to 33.3%) and in Denmark (from 28.7% to 21%). These results can be explained by the lower than anticipated revenues caused by less profitable contract signing, a highly competitive environment, and the lower demand for pre-clinical services in 2009.

Selling, general and administrative ("SG&A") expenses stood at \$3.6 million for the fourth quarter of 2009 compared to \$3.7 million for the same period of 2008, representing 27.0% and 28.8% of our revenues respectively. For 2009, SG&A expenses stood at \$12.1 million compared to \$11.6 million incurred during 2008, representing 22.7% and 19.8% of revenues, respectively. The increase in SG&A expenses is due to higher business development expenses.

EBITDA stood at (\$0.9 million) for the fourth quarter of 2009 compared to \$0.5 million for the third quarter of 2009, and compared to (\$3.9 million) for the fourth quarter of 2008. Our Adjusted EBITDA, excluding foreign exchange, restructuring charges and settlement of lawsuit expenses, amounted to (\$0.5 million) and (\$0.9 million) for the fourth quarters of 2009 and 2008. The positive variance between the fourth quarters of 2008 and 2009 is mainly attributable to a higher gross margin and control of SG&A expenses (while revenues have increased). For 2009, our EBITDA was \$1.3 million compared to \$2.2 million for the same 2008 period. Our Adjusted EBITDA, excluding foreign exchange, restructuring charges and settlement of lawsuit expenses, amounted to \$1.8 million compared to \$4.7 million in 2008. The decrease is due to highly competitive markets.

Our amortization expense was \$1.7 million for the fourth quarter of 2009, compared to \$1.6 million for the same 2008 period. This increase is due to additional amortization charges resulting from the completion of the Canadian building expansion project in 2008. For 2009, our amortization expense amounted to \$6.5 million, compared to \$5.5 million for the same 2008 period.

Our net interest expense was \$0.8 million for the fourth quarter of 2009 compared to \$1.4 million for the same 2008 period. The positive variance of \$0.6 is attributable to a write-off of deferred financing fees in 2008 of \$0.7 million. For 2009, our net interest expense amounted to \$2.9 million, compared to \$3.1 million for the same 2008 period.

We recognized a nominal foreign exchange loss for the fourth quarter of 2009, compared to a loss of \$0.9 million for the same 2008 period. The variances in foreign exchange occurred mainly in Canada where, in 2008, we recognized loss on future foreign exchange rate agreements to sell US dollars (positive variance of \$0.6 million). For 2009, we recognized a foreign exchange loss of \$0.4 million, in line with the same 2008 period.

The Company has recorded a non-cash valuation allowance of \$4.0 million during the fourth quarter of 2009 related to research & development expenses in Canada. With the recording of this allowance, LAB has approximately \$85.0 million of tax shelters related to research & development expenses in Canada for which no future income tax assets has been recognized.

Inclusive of the above mentioned valuation allowance income tax expense was \$2.8 million for the fourth quarter of 2009, compared to an income tax recovery of \$0.3 million in the same period of 2008. For 2009, we recognized an income tax expense of \$2.3 million, compared to a nominal provision for income taxes for 2008. In 2009, the Company recorded a valuation allowance of \$4.0 million on future income tax assets originating mainly from research and development expenses in Canada.

The net loss for the fourth quarter of 2009 amounted to \$6.1 million compared to \$6.7 million in the same 2008 period. For the fourth quarter of 2009, our Adjusted net loss, (excluding restructuring charges, settlement of law-suit and write-off of deferred financing fees) amounted to \$5.9 million (net of the income tax valuation allowance), compared to \$4.4 million. Our loss and Adjusted loss per share amounted to \$0.12 and \$0.11 on the basis of 52,710,750 weighted average shares outstanding compared to a loss and Adjusted loss per share respectively of \$0.37 and \$0.24 for the same 2008 period on the basis of 18,089,960 weighted average shares outstanding. The increase of the number of shares outstanding was triggered by the issuance of 34.6 million shares related to the Rights Offering. For 2009, our net loss amounted to \$10.5 million compared to \$6.6 million for 2008. Our Adjusted net loss (excluding restructuring charges net of income taxes of \$0.3 million) amounted to \$10.3 million, compared to \$4.2 million (excluding restructuring charges net of income taxes of \$0.9 million, settlement of the lawsuit net of income taxes of \$1.1 million and the write-off of deferred financing fees, net of income taxes of \$0.4 million). Our loss per share and Adjusted loss per share amounted to \$0.39 and \$0.38 respectively on the basis of 27,005,149 weighted average shares outstanding (basic), compared to basic and diluted loss per share and adjusted loss per share of \$0.38 and \$0.24, respectively for the same 2008 period on the basis of 18,070,445 weighted average shares outstanding (basic)

As at December 31, 2009, the Company's net cash position was \$0.5 million, compared to \$0.1 million as at December 31, 2008. The Rights Offering, closed on September 29, 2009, raised gross proceeds of \$14.2 million, which were used as follows: i) repayment of a bridge loan from the Solidarity Fund QFL ("The Fund") for \$0.5 million; ii) complete the installation of inhalation toxicology equipment for our Canadian site for \$2.5 million; iii) settle expansion related capital expenditure payables for \$4 million, and iv) reduce the Company's long-term debt in Canada by \$5.0 million. The remainder of the proceeds has been used for working capital purposes.

As at December 31, 2009, our backlog stood at \$35.3 million compared to \$26.8 million as at September 30, 2009, a 31.4% increase but down 4.1% compared to \$36.8 million as at December 31, 2008. As at December 31, 2009, our backlog represented approximately 8 months of average 2009 revenue for LAB Canada, 6 months for LAB Denmark and 13 months for LAB Hungary. The increase between the third and fourth quarter of 2009 was mainly due to higher contract signings following the lift of clients' concerns following our successful Rights Offering as well as improved demand from the market. The decrease between 2009 and 2008 is due to a more competitive market and the commercial setbacks of our financial situation addressed late in the third quarter of 2009.

## **2010 Outlook**

In 2009, prior to closing its September 29, 2009 Rights offering, LAB Research had to address the economic downturn, excess capacity in our sector, the financial covenant issue with our Canadian lender and limited liquidities. All these factors negatively impacted our ability to maintain our historical level of contract sales. In response to these events, the Company reacted proactively by proceeding with 1) the restructuring of its European operations and implementation of cost control measures in all operating units to limit the fixed cost impact of the expansion; 2) a restructuring of its Canadian debt facilities following the closing of the Rights Offering; 3) securing a \$7.5 million loan with a government agency; 4) the closing of a \$14.2 million Rights Offering; and 5) increased business development activity to promote our expanded service offering and capacity. As we experience the early benefits of our expansion, management believes that all these actions will drive improved financial performance and help regain the support of both the capital and commercial markets.

"Our strong backlog increase in the last portion of 2009 and significant request for quotation activity early in 2010 is encouraging and indicates that the market is recovering both in terms of contract signings and pricing. In 2010, after three years of difficult results, our Hungarian site is now contributing to our overall profitability. Our Danish site has also recovered from a difficult 2009 start. We believe we have made the necessary changes to senior management in Canada to drive immediate and continued improvements in our financial performance and take advantage of the significant increase in its capabilities. Already in 2010 we are experiencing strong demand for our new high-margin services, and we are seeing increased pre-qualification activity from larger recurrent sponsors. We recognize that our 3-year expansion program has impacted our financial performance, but we are determined to realize the benefits of our expanded platform and service offering to deliver profitability and improved financial performance at all our sites over the coming quarters." stated Mr. Luc Mainville, President and CEO of LAB Research.

## **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 customers' products from three state-of-the-art facilities located in Canada, Denmark and Hungary.

LAB Research's shares trade on The Toronto Stock Exchange ("TSX") under the symbol "LRI", with 52.7 million shares outstanding.

*This news release contains certain forward-looking statements that reflect the current views and/or expectations of LAB Research Inc. with respect to its performance, business and future events. Such statements are subject to a number of risks, uncertainties and assumptions. Actual results and events may vary significantly.*

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For further information visit LAB Research's website at [www.labresearch.com](http://www.labresearch.com), or contact:

Luc Mainville  
Chief Executive Officer  
Tel: (450) 973-2240 (ext. 1206)  
[mainvillel@labresearch.com](mailto:mainvillel@labresearch.com)

Frédéric Dumais  
Partner, Jasmin-Dumais Financial Communications  
Tel : (514) 862-1251  
[fred@comjamais.com](mailto:fred@comjamais.com)

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## PRESS RELEASE

### APPENDIX 1

#### Non-GAAP Measures

We use certain non-GAAP measures, including Book to Bill ratio, Backlog, Active Backlog, Earnings before Interest, Income Taxes, Depreciation and Amortization (“EBITDA”), Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted net loss, Adjusted net loss per share 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 loss to EBITDA and to Adjusted EBITDA for the three-month periods ended December 31, 2009 and 2008, and for the twelve-month periods ended December 31, 2009 and 2008.

	<u>Three months ended</u>		<u>Twelve months ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Net loss	(6 135)	(6 723)	(10 476)	(6 599)
Adjustments for:				
Income taxes (recovery)	2 777	(259)	2 289	42
Interest expense on long-term debt	779	1 421	2 946	3 196
Amortization	1 671	1 620	6 522	5 536
EBITDA	(908)	(3 941)	1 281	2 175
Foreign exchange	52	887	363	398
Restructuring costs	310	1 032	163	1 096
Settlement of lawsuit	-	1 075	-	1 075
Adjusted EBITDA	(546)	(947)	1 807	4 744
Adjusted EBITDA margin	-4,1%	-7,4%	3,4%	8,1%

#### (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 by reporting periods.

	<u>Three months ended</u>		<u>Twelve months ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Revenues	13,325	12,839	53,261	58,498
Direct costs	10,137	9,983	38,895	41,782
Gross margin	3,188	2,856	14,366	16,716
Gross margin %	23.9%	22.2%	27.0%	28.6%

# LAB Research Inc.

Consolidated Balance Sheets

December 31, 2009 and 2008

(in thousands of Canadian dollars)

	2009	2008
	\$	\$
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	1,031	102
Accounts and other receivables	9,534	10,011
Work in progress	3,399	3,511
Income taxes receivable	3,329	1,473
Prepaid expenses	1,971	1,410
Future income taxes	108	3,083
	<hr/>	<hr/>
	19,372	19,590
Property and equipment	75,658	82,809
Intangible assets	3,759	4,643
Other assets	10,645	6,916
Future income taxes	3,375	1,620
	<hr/>	<hr/>
	112,809	115,578
<b>LIABILITIES</b>		
Current liabilities:		
Bank indebtedness	499	-
Accounts payable and accrued liabilities	11,915	16,093
Deferred revenue	8,709	9,180
Current portion of long-term debt	3,593	39,416
Future income taxes	356	720
	<hr/>	<hr/>
	25,072	65,409
Long-term debt	51,110	17,264
Other long-term liabilities	43	140
Future income taxes	3,670	2,529
	<hr/>	<hr/>
	79,895	85,342
Commitments and guarantees		
Litigation		
Subsequent event		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital	78,156	63,951
Warrants	575	-
Additional paid-in capital	1,545	1,077
Accumulated other comprehensive income (loss)	(761)	682
Deficit	(46,601)	(35,474)
	<hr/>	<hr/>
	(47,362)	(34,792)
	<hr/>	<hr/>
	32,914	30,236
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	112,809	115,578

# LAB Research Inc.

Consolidated Statements of loss

**Years ended December 31, 2009 and 2008**

(in thousands of Canadian dollars, except per share data)

	2009	2008
	\$	\$
Revenue	53,261	58,498
Operating expenses:		
Direct costs	38,895	41,782
Selling, general and administrative	12,123	11,586
Restructuring costs	163	1,096
Stock-based compensation	468	448
Amortization of property and equipment	5,631	4,768
Amortization of intangible assets	891	768
Interest, net	2,914	3,134
Foreign exchange loss	363	398
Settlement of lawsuit	-	1,075
	61,448	65,055
Loss from operations before income taxes	(8,187)	(6,557)
Income taxes	2,289	42
Net loss for the year	(10,476)	(6,599)
Loss per share		
Basic and diluted	(0.39)	(0.37)

# LAB Research Inc.

Consolidated Statements of Cash Flows  
Years ended December 31, 2009 and 2008  
(in thousands of Canadian dollars)

	2009	2008
	\$	\$
<b>Operating activities:</b>		
Net loss for the year	(10,476)	(6,599)
Adjustments for:		
Amortization of property and equipment	5,631	4,768
Amortization of intangible assets	891	768
Investment tax credits	(3,748)	(3,385)
Foreign exchange gain (loss)	(241)	97
Stock-based compensation	468	448
Future income taxes	2,354	(53)
Settlement of lawsuit in exchange of warrants	-	75
Amortization and write-off of deferred financing fees	186	659
Other	46	103
Net change in non-cash working capital items (note 19 (a))	(4,839)	1,995
	(9,728)	(1,124)
<b>Financing activities:</b>		
Proceeds from issuance of shares	14,205	145
Share issue costs	(651)	-
Proceed from issuance of capital leases (note 9)	1,180	-
Proceeds from issuance of long-term debt, net of cost	6,885	19,468
Repayment of long-term debt	(7,270)	(1,690)
Repayment of capital leases	(606)	(543)
	13,743	17,380
<b>Investing activities:</b>		
Increase in bank indebtedness	499	-
Payment of holdback payable	(1,750)	-
Additions to property and equipment	(3,098)	(22,658)
Additions to intangible assets	(439)	(698)
Proceeds from grants (note 19 (f))	1,490	-
Other	(135)	39
	(3,433)	(23,317)
Effect of foreign exchange rate changes on cash and cash equivalents	347	338
<b>Increase (decrease) in cash and cash equivalents</b>	<b>929</b>	<b>(6,723)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>102</b>	<b>6,825</b>
<b>Cash and cash equivalents, end of year</b>	<b>1,031</b>	<b>102</b>