

CHARLES RIVER LABORATORIES INTERNATIONAL INC
Form 424B3
March 28, 2002

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PROSPECTUS SUPPLEMENT

To Prospectus dated June 5, 2001

Filed Pursuant to Rule 424 (b) (3) of the Rules and Regulations
Under the Securities Act of 1933

Registration Statement No. 333-92383

Charles River Laboratories International, Inc.

[Name of Issuer]

Charles River Laboratories International, Inc.
Common Stock
Warrants To Purchase Common Stock
[Title of Security]

RECENT DEVELOPMENTS

We have attached to the prospectus supplement, and incorporated by reference into it, the Form 10-K Annual Report of Charles River Laboratories International, Inc. for the Year Ending December 29, 2001 filed with the Securities and Exchange Commission on March 27, 2002.

March 28, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO
SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

(MARK ONE)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 29, 2001**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission File No. 333-92383

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)
251 Ballardvale Street
Wilmington, Massachusetts
(Address of Principal Executive Offices)

06-1397316
(I.R.S. Employer
Identification No.)
01887
(Zip Code)

(978) 658-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. //

As of March 12, 2002, the aggregate market value of the Registrant's voting common stock held by non-affiliates of the Registrant was approximately \$1,177,703,000. As of that date, there were outstanding 44,233,602 shares of the Registrant's common stock, \$0.01 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for its 2002 Annual Meeting of Stockholders scheduled to be held on May 3, 2002 (the "2002 Proxy Statement"), which will be filed with the Securities and Exchange Commission not later than 120 days after December 29, 2001, are incorporated by reference into Part III of this Annual Report on Form 10-K. With the exception of the portions of the 2002 Proxy Statement expressly incorporated into this Annual Report on Form 10-K by reference, such document shall not be deemed filed as part of this Form 10-K.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
FORM 10-K
ANNUAL REPORT

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PART I

Item 1. Business

Overview

We are a leading provider of critical research tools and integrated support services that enable innovative and efficient drug discovery and development. We are the global leader in providing the animal research models required in research and development for new drugs, devices and therapies and have been in this business for more than 50 years. Since 1992, we have built upon our research model technologies to develop a broad and growing portfolio of biomedical products and services. Our wide array of services enables our customers to reduce costs, increase speed and enhance their productivity and effectiveness in drug discovery and development. Our customer base, spanning over 50 countries, includes all of the major pharmaceutical and biotechnology companies, as well as many government agencies, leading hospitals, and academic institutions. We currently operate 77 facilities in 15 countries worldwide. Our differentiated products and services, supported by our global infrastructure and scientific expertise, enable our customers to meet many of the challenges of early-stage life sciences research, a large and growing market. In 2001, our net sales were \$465.6 million and our operating income was \$90.3 million.

Biomedical Products and Services. We have focused significant resources on developing a diverse portfolio of biomedical products and services directed at high growth areas of drug discovery and development. Our biomedical products and services business represented 58% of our 2001 net sales. We have experienced strong growth in biomedical products and services as demonstrated by our 53.6% compound annual growth rate in our net sales over the past four fiscal years. We expect the drug discovery and development markets that we serve will continue to experience strong growth, particularly as new drug development based on advances in genetics continues to evolve. There are four areas within this segment of our business:

Discovery Services. Our discovery services are designed to assist our customers in screening drug candidates faster by providing genetically defined research models for in-house research and by implementing efficacy screening protocols to improve the customer's drug-evaluation process. The market for discovery services is growing rapidly as pharmaceutical and biotechnology research and development increasingly focuses on selecting lead drug candidates from the enormous number of new compounds being generated. We currently offer four major categories of discovery services: transgenic services, research support services, infectious disease and genetic testing, and contract site management. Transgenic services is our highest growth area and includes model development, genetic characterizations, embryo cryopreservation, and rederivation and colony scale-up.

Development Services. We currently offer FDA-compliant development services in three main areas: drug safety assessment, biotech safety testing and medical device testing. Biotech safety testing services include a broad range of services specifically focused on supporting biotech or protein-based drug development, including such areas as protein characterization, cell banking, methods development and release testing. Our rapidly growing development services offerings enable our customers to outsource their high-end, non-core drug development activities. In 2001, we acquired Primedica and PAI. Primedica is a leading provider of

preclinical drug discovery and development services to the biopharmaceutical industry, and PAI is the world's leading provider of contract toxicology pathology services in research models. The acquisitions of Primedica and PAI greatly expanded our portfolio of outsourcing services by adding capabilities in the high-demand areas of pharmacokinetic and metabolic analysis, bioanalytical chemistry, pharmacology and surgery, specialty toxicology, pathology services, and biopharmaceutical production. See " Development Services."

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In Vitro Technology. We have diversified our product offerings to include non-animal, or in vitro, methods for testing the safety of drugs and devices. We are strategically committed to being the leader in providing our customers with in vitro alternatives as these methods become scientifically validated and commercially feasible. Our current products include endotoxin detection systems that ensure that injectable drugs and devices are free from harmful contaminants, as well as a proprietary molecular assay that is currently being validated for use in the screening of new drugs *in vitro* for phototoxicity and photocarcinogenicity.

Vaccine Support Products. We provide vaccine manufacturers with pathogen-free fertilized chicken eggs, a critical ingredient for poultry vaccine production. We believe there may be significant potential for growth in this area in support of novel human vaccines, such as a nasal spray flu vaccine currently in development.

Research Models. We are the global leader in the production and sale of research models, principally genetically and virally defined purpose-bred rats and mice. These products represented 42% of our 2001 net sales. We offer nearly 150 research models, one of the largest selections of small animal models of any provider worldwide. Our higher growth models include genetically defined models and models with compromised immune systems, which are increasingly in demand as early-stage research tools. The FDA and foreign regulatory bodies typically require the safety and efficacy of new drug candidates and many medical devices to be tested on research models like ours prior to testing in humans. As a result, our research models are an essential part of the drug discovery and development process. Our research models are produced in a biosecure environment designed to ensure that the animals are free of viral and bacterial agents and other contaminants that can disrupt research operations and distort results. With our biosecure production capabilities and our ability to deliver consistent, high quality research models worldwide, we are well positioned to benefit from the rapid growth in research and development spending by pharmaceutical and biotechnology companies and the National Institutes of Health.

Competitive Strengths

Our leading research models business has provided us with steadily growing revenues and strong cash flow, while our biomedical products and services business provides significant opportunities for profitable growth. Our products and services are critical to both traditional pharmaceutical research and the rapidly growing fields of genomic, recombinant protein, and humanized antibody research. We believe we are well positioned to compete effectively in all of these sectors as a result of a diverse set of competitive strengths, which include:

Critical Products and Services. We provide critical, proven and enabling products and services that our customers rely upon to advance their early-stage research efforts and accelerate product development. We offer a wide array of complementary research tools and discovery and development services that differentiate us from our competition and have created a sustained competitive advantage in our markets.

Long-Standing Reputation for Scientific Excellence. We have earned our long-standing reputation for scientific excellence by consistently delivering high-quality research models supported by exceptional technical service and support for over 50 years. As a result, the Charles River brand name is synonymous with premium quality products and services and scientific excellence in the life sciences. We have nearly 250 science professionals on staff with D.V.M.s, Ph.D.s and M.D.s, in areas including laboratory animal medicine, molecular biology, pathology, immunology, toxicology and pharmacology.

Extensive Global Infrastructure and Customer Relationships. Our operations are globally integrated throughout North America, Europe and Asia. Our extensive investment in worldwide infrastructure allows us to standardize our products and services across borders when required by our multinational

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customers, while also offering a customized local presence when needed. We currently operate 77 facilities in 15 countries worldwide, serving a customer base spanning more than 50 countries.

Biosecurity Technology Expertise. In our research models business, our commitment to and expert knowledge of biosecurity technology distinguishes us from our competition. We maintain rigorous biosecurity standards in all of our facilities to maintain the health profile and consistency of our research models. These qualities are crucial to the integrity and timeliness of our customers' research.

Platform Acquisition and Internal Development Capabilities. We have a proven track record of successfully identifying, acquiring, and developing complementary businesses and new technologies. With this experience, we have developed internal expertise in sourcing acquisitions and further developing new technologies. We believe this expertise will continue to differentiate us from our competitors as we seek to further expand our business.

Experienced and Incentivized Management Team. Our senior management team has an average of nearly 20 years of experience with our company, and has evidenced a strong commitment and capability to deliver reliable performance and steady growth. Our Chairman and Chief Executive Officer, James C. Foster, has been with us for 26 years. As of December 29, 2001 our management team owns or has options to acquire securities representing approximately 4.4% of our equity on a fully diluted basis.

Our Strategy

Our business strategy is to build upon our core research model business and to actively invest in higher growth opportunities where our proven capabilities and strong relationships allow us to achieve and maintain a leadership position. Our growth strategies include:

Broaden the Scope of Our Discovery and Development Services. Primarily through acquisitions and alliances, we have improved our ability to offer new services that complement our existing drug discovery and development services. We have targeted services that support transgenic research activities as a high growth area. We intend to provide the additional critical support services needed to create, define, characterize and scientifically validate new genetic models expected to arise out of the Human Genome and Mouse Genome Projects. In addition, we plan to broaden our international presence in genetic services, specialized pathology and drug efficacy analysis. We also continue to add new capabilities in the biotech safety testing area.

Expand Our Preclinical Outsourcing Services. Many of our pharmaceutical and biotechnology customers outsource a wide variety of research activities that are not directly associated with their scientific innovation process. We believe the trend of outsourcing preclinical or early-stage research will continue to increase rapidly. We are well positioned to exploit both existing and new outsourcing opportunities, principally through our discovery and development services offerings. We believe our early successes in the transgenic services area have increased customer demand for outsourcing and have created significant opportunities. Our research support services provide pharmaceutical and biotechnology companies with significant cost and resource allocation advantages over their existing internal operations. We intend to focus our marketing efforts on stimulating demand for further outsourcing of preclinical research. We also intend to expand our opportunities by increasing our international presence.

Pursue Strategic Acquisitions and Alliances. Over the past decade, we have completed 18 acquisitions and alliances. Several of our operations began as platform acquisitions, which we were able to grow rapidly by developing and marketing the acquired products or services to our extensive global customer base. We intend to further pursue strategic platform acquisitions to drive our long-term growth.

Expand Our Non-Animal Technologies. In vitro testing technologies are in their early stages of development, but we plan to continue to acquire and introduce new *in vitro* products and services as they become scientifically validated and commercially viable. We are particularly focused on acquiring new technologies that allow for high through-put screening and testing of new drug candidates in the early stages of development, using such techniques as cell and tissue cultures.

Acquire New Technologies in Research Models. We have acquired and intend to acquire novel technologies in transgenics and cloning to increase sales in our research models business and related transgenic services operations. We also expect to offer additional genetically modified models for research of specific disease conditions. These higher-value research models are often highly specialized and are priced to reflect their greater intrinsic value. In particular, we intend to acquire and develop transgenic rat technology, where development has been slow compared to mice. We believe there is a growing need for genetically engineered rats, which are larger and more accessible research models than mice.

Business Segments

Our business is divided into two segments: Biomedical Products and Services, and Research Models.

Biomedical Products and Services

Our biomedical products and services business consists of our newer, higher growth operations, which we organize as follows:

Discovery Services	Development Services	<i>In Vitro</i> Technology	Vaccine Support Products
Transgenic Services	Pharmacokinetic and Metabolic Analysis	Endotoxin Detection Systems	Animal Health
Research Support Services	Bioanalytical Chemistry	In Vitro Safety Screening	Human Health
Infectious Disease and Genetic Testing	Pharmacologic Surgery		
Contract Site Management	Specialty Toxicology		
	Medical Device Testing		
	Pathology Services		
	Biotech Safety Testing		
	Biopharmaceutical Production		

Discovery Services

Discovery represents the earliest stages of research and development in the life sciences directed to the identification and selection of a lead compound for future drug development. Discovery is followed by development activities, which are directed at validation of the selected drug candidates. Discovery and development represent most of the preclinical activities in drug development.

Initiated in 1995, the discovery services area of our business addresses the growing need among pharmaceutical and biotechnology companies to outsource the non-core aspects of their drug discovery activities. These discovery services capitalize on the technologies and relationships developed through our research model business. We currently offer four major categories of discovery services: transgenic services, research support services, infectious disease and genetic testing and contract site management.

Transgenic Services. In this rapidly growing area of our business, we assist our customers in validating, maintaining, improving, breeding and testing models purchased or created by them for

biomedical research activities. While the creation of a transgenic, knock-out or cloned model can be a critical scientific event, it is only the first step in the discovery process. Productive utilization of research models requires significant additional technical expertise. We provide transgenic breeding expertise, model characterization and colony development, genetic characterization, quarantine, embryo cryopreservation, embryo transfer, rederivation, and health and genetic monitoring. We provide these services to nearly 200 laboratories around the world from pharmaceutical and biotechnology companies to hospitals and universities. We maintain more than 1,000 different types of research models for our customers. We expect that the demand for our services will grow as the use of transgenic, knock-out and cloned animal models continues to grow within the research community.

Research Support Services. Our research support services provide advanced or specialized research model studies for our customers. These projects capitalize on our strong research model capabilities and also exploit more recently developed capabilities in protocol development, animal micro-surgery, dosing techniques, drug effectiveness testing and data management and analysis. We believe these services, particularly in oncology and cardiovascular studies, offer added value to our research customers, who rely on our extensive expertise, infrastructure and resources. We also manage under contract a genetically defined, biosecure herd of miniature swine to provide organs for

human transplantation research, known as xenotransplantation.

Infectious Disease and Genetic Testing. We assist our customers in monitoring and analyzing the health and genetics of the research models used in their research protocols. We developed this capability internally by building upon the scientific foundation created by the diagnostic laboratory needs of our research model business. Depending upon a customer's needs, we may serve as its sole source testing laboratory, or as an alternative source supporting its internal laboratory capabilities. We believe that the continued growth in development and utilization of transgenic, knock-out and cloned models will drive our future growth as the reference laboratory of choice for genetic testing of special models.

Contract Site Management. Building upon our core capabilities as a leading provider of high quality research models, we manage animal care operations on behalf of government, academic, pharmaceutical and biotechnology organizations. Increasing demand for our services reflects the growing necessity of these large institutions to outsource internal functions or activities that are not critical to the core scientific innovation and discovery process. In addition, we believe that our expertise in managing the laboratory animal environment enhances the productivity and quality of our customers' research facilities. This area leads to additional opportunities for us to provide other products and services to our customers. Site management does not require us to make any incremental investment, thereby generating a particularly strong return.

Development Services

Our development services enable our customers to outsource their non-core drug development activities to us. These activities are typically required for the identification of the lead compound and to support the regulatory filings necessary to obtain FDA approval. The demand for these services is driven by the growing outsourcing trend in preclinical drug development. We currently offer development services in eight main areas: pharmacokinetic and metabolic analysis, bioanalytical chemistry, pharmacologic surgery, specialty toxicology, medical device testing, pathology services, biopharmaceutical production, and biotech safety testing.

Pharmacokinetic and Metabolic Analysis. Charles River's scientists conduct pharmacokinetic studies to determine the mechanisms by which drugs function in mammalian systems to produce therapeutic effects, as well as to understand how drugs may produce undesirable or toxic effects. Our scientists also conduct metabolic studies to reveal how drugs are broken down and excreted, and the duration that drugs or their byproducts remain in various organs and tissues. These studies can be

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performed as part of the drug screening process to help identify lead compounds, as well as later in the development process to provide information regarding safety and efficacy.

Bioanalytical Chemistry. Our bioanalytical chemistry services support all phases of drug development from discovery to non-clinical studies and clinical trials. Our researchers design and conduct lead-optimization projects, develop and validate methods used to analyze samples, conduct protein binding studies, and perform dose formulation analysis.

Pharmacologic Surgery. Many sophisticated drugs are designed to be administered directly to a precise location within the body using surgical, or "invasive," techniques. The development of these and certain other drugs requires the use of surgical techniques to administer a drug, or to observe its effects in various tissues. Charles River's Pharmacologic Surgery program offers extensive capabilities in this area, and has developed numerous research models in collaboration with world-renowned experts in the fields of cardiology, inflammation, and pathology at leading academic institutions.

Specialty Toxicology. Our team of scientists, including toxicologists, pathologists, and regulatory specialists, designs and performs highly specialized studies to evaluate the safety and toxicity of new pharmaceutical compounds and materials used in medical devices. Charles River is an industry leader in the fields of reproductive and developmental toxicology, photobiology, and other specialty toxicological assessments.

Medical Device Testing. The FDA requires companies introducing medical devices to test the biocompatibility of any new materials that have not previously been approved for contact with human tissue. We provide a wide variety of medical device testing services from prototype feasibility testing to long-term GLP, or good laboratory practices, studies, primarily in large research models. These services include cardiovascular surgery, biomaterial reactivity studies, orthopedic studies and related laboratory services. We maintain state-of-the-art surgical suites where our skilled professional staff implement custom surgery protocols provided by our customers.

Pathology Services. In the drug development process, the ability to identify and characterize pathologic changes within tissues and cells is critical in determining the safety of a new compound. Charles River employs highly trained pathologists who use state-of-the-art techniques to

reveal pathology within tissues and cells, as well as at the molecular level. Frequently, decisions regarding continued product development are dependent on these pathology findings.

Biotech Safety Testing. We provide specialized non-clinical quality control testing that is frequently outsourced by both pharmaceutical and biotechnology companies. These services allow our customers to determine if the human protein drug candidates, or the process for manufacturing those products, are essentially free of residual biological materials. The bulk of this testing work is required by the FDA for obtaining new drug approval, maintaining an FDA-licensed manufacturing capability or releasing approved products for use on patients. Our scientific staff consults with customers in the areas of process development, validation, manufacturing scale-up and biological testing. As more biotechnology drug candidates with stronger potential enter and exit the development pipeline, we expect to continue to experience strong demand for these testing services.

Biopharmaceutical Production. Charles River has the capability to cost-effectively develop and manufacture drugs in small quantities that are needed for early- and mid-stage clinical trials. We maintain multiple cleanroom processing suites designed for the production of clinical products as well as integrated testing services for in-process and product release testing. Our manufacturing facilities operate under strict cGMP guidelines and are supported by a strong quality assurance, control, and regulatory compliance system.

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In Vitro Technology

While the scientific community does not foresee significant replacement of animal models from the use of *in vitro* techniques, we believe that these techniques may offer a strong refinement or complement to animal test systems after the extended period of scientific validation is successfully completed. We intend to pursue this area to the extent alternatives become commercially viable.

Endotoxin Detection Systems. We are a market leader in endotoxin testing, which is used to test quality control samples of injectable drugs and devices, their components and the processes under which they are manufactured, for the presence of endotoxins. Endotoxins are fever producing pathogens or compounds that are highly toxic to humans when sufficient quantities are introduced into the body. Quality control testing for endotoxin contamination by our customers is an FDA requirement for injectable drugs and devices, and the manufacture of the test kits and reagents is regulated by the FDA as a medical device. Endotoxin testing uses a processed extract from the blood of the horseshoe crab, known as limulus amoebocyte lysate, or LAL. The LAL test is the first and only major FDA-validated *in vitro* alternative to an animal model test for endotoxin detection in pharmaceutical and medical device manufacturing. The process of extracting blood is not harmful to the crabs, which are subsequently returned to their natural ocean environment. We produce and distribute test kits, reagents, software, accessories, instruments and associated services to pharmaceutical and biotechnology companies for medical devices and other products worldwide. We have recently received a patent relating to our next generation of endotoxin testing technology.

In Vitro Safety Screening. In 2002, Charles River acquired Dak Dak, an *in vitro* technology platform that can help researchers predict whether the active ingredients in skin care products and cosmetics are likely to be effective in preventing skin aging caused by sunlight. The platform includes a molecular assay that measures the activity of the human gene for elastin, a protein produced within skin cells following their exposure to sunlight. We are currently working to validate the technology for use as a rapid screening tool to help identify drugs that are likely to make patients more susceptible to skin cancer and other sun-induced skin problems.

Vaccine Support Products

Animal Health. We are the global leader for the supply of specific pathogen-free, or SPF, chickens and fertile chicken eggs. SPF chicken embryos are used by animal health companies as self-contained "bioreactors" for the manufacturing of live and killed viruses. These viruses are used as a raw material in poultry and potential human vaccine applications. The production of SPF eggs is done under biosecure conditions, similar to our research model production. We have a worldwide presence that includes several SPF egg production facilities in the United States, as well as facilities in Germany and in Australia. We have a joint venture in Mexico and a franchise in India. We also operate a specialized avian laboratory in the United States, which provides in-house testing and support services to our customers.

Human Health. We are also applying our SPF egg technology to human vaccine markets. We have entered into an agreement with a company that is in the late stages of the FDA approval process for a nasal spray-delivered vaccine for human flu. If FDA-approved and commercially successful, this human flu vaccine may significantly increase demand for our SPF eggs.

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Research Models

Research models is our historical core business and accounted for 42% of our 2001 net sales. The business is comprised of the commercial production and sale of animal research models, principally purpose-bred rats, mice and other rodents for use by researchers. We are the commercial leader in the small animal research model area, supplying rodents for research since 1947. Our research models include:

outbred animals, which have genetic characteristics of a random population;

inbred animals, which have essentially identical genes;

hybrid animals, which are the offspring of two different inbred parents;

spontaneous mutant animals, which contain a naturally occurring genetic mutation (such as immune deficiency); and

transgenic animals, which contain genetic material transferred from another source.

With nearly 150 research models, we offer one of the largest selections of small animal models and provide our customers with high volume and high quality production. Our rats, mice and other rodent species such as guinea pigs and hamsters have been and continue to be some of the most extensively used research models in the world, largely as a result of our continuous commitment to innovation and quality in the breeding process. We provide our small animal models to numerous customers around the world, including all major pharmaceutical and biotechnology companies as well as hospitals and academic institutions.

The use of animal models is critical to both the discovery and development of a new drug. The FDA requires safe and effective testing on two species of animal models, one small and one large, before moving into the clinic for testing on humans. Animal testing is used in order to identify, define, characterize and assess the safety of new drug candidates. Increasingly, genetically defined rats and mice are the model of choice in early discovery and development work as a more specifically targeted research tool. Outbred rats are frequently used in safety assessment studies. Our models are also used in life science research within universities, hospitals and other research institutions. Unlike drug discovery, these uses are generally not specifically mandated by regulatory agencies such as the FDA, but instead are governed by the terms of government grants, institutional protocols as well as the scientific inquiry and peer review publication processes. We also provide larger animal models, including miniature swine and primates, to the research community, principally for use in drug development and testing studies.

We believe that over the next several years, many new research models will be developed and used in biomedical research, such as transgenic models, cloned models with identical genes, knock-out models with one or more disabled genes, and models that incorporate or exclude a particular mouse, rat or human gene. These more highly defined and characterized models will allow researchers to further focus their investigations into disease conditions and potential new therapies or interventions. We intend to build upon our position as the leader in transgenic services to expand our presence in this market for higher value models, through internal development, licensing, partnerships and alliances, and acquisitions.

In 2001 we entered into a strategic partnership with The Jackson Laboratory ("Jackson"), an internationally renowned research institution that develops unique genetically engineered mouse models for use in medical research, drug discovery and development work. Under this partnership, Charles River will produce and distribute Jackson's research models in Europe and Asia. The partnership combines Jackson's strength in genetic science with the global production and distribution capabilities of Charles River. We view this relationship as an important step toward broadening the scope of our research models business.

Also in 2001 Charles River acquired Genetic Models, Inc., which has developed proprietary and disease-specific rat models used to find new treatments for diseases such as diabetes, obesity, cardiovascular disease, and kidney disease. The acquisition is part of an ongoing effort to strengthen Charles River's portfolio of disease-specific animal research models.

Customers

Our customers consist primarily of large pharmaceutical companies, including the 10 largest pharmaceutical companies based on 2001 revenues, as well as biotechnology, animal health, medical device and diagnostic companies and hospitals, academic institutions and government agencies. We have many long-term, stable relationships with our customers as evidenced by the fact that all of our top 20 customers in 1990 remain our customers today.

During 2001, in both our research models and our biomedical products and services businesses, more than three-quarters of our sales were to pharmaceutical and biotechnology companies, and the balance were to hospitals, universities and the government. Our top 20 global commercial customers represent only about 30.0% of our 2001 net sales, with no individual customer accounting for more than 3.0% of net sales.

Sales, Marketing and Customer Support

We sell our products and services principally through our direct sales force, the majority of whom work in the United States, with the balance working in Europe and Japan. The direct sales force is supplemented by a network of international distributors for some areas of our biomedical products and services business.

Our internal marketing groups support the field sales staff while developing and implementing programs to create close working relationships with customers in the biomedical research industry. Our web site, www.criver.com, is an effective marketing tool, and has become recognized as a valuable resource in the laboratory animal field by a broad spectrum of industry leaders, recording over several hundred thousand hits each month.

We maintain both customer service and technical assistance departments, which service our customers' routine and more specialized needs. We frequently assist our customers in solving problems related to animal husbandry, health and genetics, biosecurity, protocol development and other areas in which our expertise is recognized as a valuable customer resource.

Research and Development

We do not maintain a fully dedicated research and development staff. Rather, this work is done on an individual project basis or through collaborations with universities or other institutions. Our dedicated research and development spending was \$0.5 million in 1999, \$0.9 million in 2000 and \$1.9 million in 2001. Our approach to developing new products or services is to extend our base technologies into new applications and fields, and to license or acquire technologies to serve as a platform for the development of new businesses that service our existing customer base. Our research and development focus is principally on developing projects that improve our productivity or processes.

In 2001 we entered into R&D collaborations with two universities and two biotechnology companies:

Medical College of Wisconsin, to distribute their proprietary consomic rat models. These research models are generated by substituting whole chromosomes into a rat strain, allowing multiple genes on the chromosome to be studied for their combined role in conditions such as hypertension, myocardial infarction and renal disease.

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Sangamo BioSciences, Inc., to apply Sangamo's novel gene regulation technologies to the creation of transgenic rat research models for use in developing new drugs and therapies for cancer.

Tufts University School of Veterinary Medicine, to develop a novel cloning technology applied to immunodeficient mice, and Advanced Cell Technology, Inc., to develop cloned and transgenic rat models.

Industry Support and Animal Welfare

Among the shared values of our employees is a concern for and commitment to animal welfare. We have been in the forefront of animal welfare improvements in our industry, and continue to demonstrate our commitment with special recognition programs for employees who demonstrate an extraordinary commitment in this critical area of our business.

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We support a wide variety of organizations and individuals working to further animal welfare as well as the interests of the biomedical research community. We fund internships in laboratory animal medicine, provide financial support to non-profit institutions that educate the public about the benefits of animal research and provide awards and prizes to outstanding leaders in the laboratory animal medicine field. One of our businesses dedicates a portion of its net sales, through a royalty, to support similar programs and initiatives.

Employees

As of December 29, 2001, we had more than 4,000 employees, including nearly 250 science professionals with advanced degrees including D.V.M.s, Ph.D.s and M.D.s. Our employees are not unionized in the United States, although employees are unionized in some European locales, consistent with local custom for our industry. We believe that we have a good relationship with our employees.

Competition

Our strategy is to be the leader in each of the markets in which we participate. Our competitors are generally different in each of our business and geographic areas.

In our research models business division, our main competitors include three smaller competitors in North America, several smaller ones in Europe, and two smaller ones in Japan. Of our main United States competitors, two are privately held businesses and the third is a government-financed, non-profit institution. We believe that none of our competitors for research models has our comparable global reach, financial strength, breadth of product and services offerings and pharmaceutical and biotechnology industry relationships.

We have many competitors in our biomedical products and services business division. A few of our competitors in our biomedical products and services business are larger than we are and may have greater capital, technical or other resources than we do; however, many are smaller and more regionalized. We have a small relative share in the biotech safety testing market, where the market leader is a well-established company, and in medical device testing, where there are many larger competitors.

We generally compete on the basis of quality, reputation and availability, which is supported by our international presence with strategically located facilities.

Regulatory Matters

The Animal Welfare Act ("AWA") governs the treatment of particular species intended for use in research. The AWA imposes a wide variety of specific regulations on producers and users of these

species, most notably cage size, shipping conditions and environmental enrichment methods. We comply with licensing and registration requirement standards set by the USDA for handling regulated species, including breeding, maintenance and transportation. However, rats, mice and chickens are not currently regulated under the AWA. Congress is considering legislation which would permanently exclude these species from regulation under the AWA. As a result, most of our United States small animal research model activities and our vaccine support services operations are not subject to regulation under the AWA. Our animal production facilities in the United States are accredited by a highly regarded member association known as AAALAC, which maintains standards that often exceed those of the USDA.

Our biomedical products and services business is also generally regulated by the USDA, and in the case of our endotoxin detection systems, the FDA. Our manufacture of test kits and reagents for endotoxin testing is subject to regulation by the FDA under the authority of the Federal Food, Drug, and Cosmetic Act. We are required to register with the FDA as a device manufacturer and are subject to inspection on a routine basis for compliance with the FDA's Quality System Regulations and Good Manufacturing Practices. These regulations require that we manufacture our products and maintain our documents in a prescribed manner with respect to manufacturing, testing and control activities. In 1999, we received a "warning letter" from the FDA for quality control deficiencies with regard to our Charleston, South Carolina facility. We have since taken corrective action satisfactory to the FDA with respect to these deficiencies.

Factors Affecting Future Operating Results

This Annual Report on Form 10-K includes forward-looking statements. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue" or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial condition

or state "forward-looking" information. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from those discussed as a result of various factors, including, but not limited to, our success in selecting and integrating businesses and technology we acquire, contaminations at our facilities, changes in the pharmaceutical or biotechnology industries, competition and changes in government regulations or general economic or market conditions. These factors should be considered carefully and readers should not place undue reliance on our forward-looking statements. We are under no duty to update any of the forward-looking statements after the date of this annual report or to conform these statements to actual results.

Industry and Market Data

In this Annual Report on Form 10-K, we rely on and refer to information and statistics regarding the research model and biomedical products and services industries, and our market share in the sectors in which we compete. We obtained this information and statistics from various third party sources, discussions with our customers and/or our own internal estimates. We believe that these sources and estimates are reliable, but we have not independently verified them.

Risks Related to Our Business and Industry

If we are not successful in selecting and integrating the businesses and technologies we acquire, our business may suffer.

We have recently expanded our business through the acquisitions of Pathology Associates International Corporation, or PAI, and Primedica Corporation, or Primedica, and we plan to continue

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to grow our business through acquisitions of businesses and technologies and the formation of alliances. However, businesses and technologies may not be available on terms and conditions we find acceptable. Even if completed, acquisitions and alliances involve numerous risks which may include:

difficulties and expenses incurred in assimilating operations, services, products or technologies;

difficulties in developing and operating new businesses, including diversion of management's attention from other business concerns;

the potential loss of key employees of an acquired business and difficulties in attracting new employees to grow businesses;

difficulties in assimilating differences in foreign business practices and overcoming language barriers;

difficulties in obtaining intellectual property protections and skills that we and our employees currently do not have; and

difficulties in achieving business and financial success.

In the event that the success of an acquired business or technology or an alliance does not meet expectations, we may be required to restructure. We may not be able to successfully integrate acquisitions into our existing business or successfully exploit new business or technologies.

Contaminations in our animal populations can damage our inventory, harm our reputation for contaminant-free production and result in decreased sales.

Our research models and fertile chicken eggs must be free of contaminants, such as viruses and bacteria. The presence of contaminants can distort or compromise the quality of research results. Contaminations in our isolated breeding rooms or poultry houses could disrupt our contaminant-free research model and fertile egg production, harm our reputation for contaminant-free production and result in decreased sales.

Contaminations typically require cleaning up the contaminated room or poultry house. This clean-up results in inventory loss, clean-up and start-up costs, and reduced sales as a result of lost customer orders and credits for prior shipments. These contaminations are unanticipated and difficult to predict. We experienced several material contaminations in our animal populations in 1996 and a few significant contaminations in 1997 that adversely impacted our 1996 and 1997 financial results. Since then, we have made significant capital expenditures designed to strengthen our biosecurity and have significantly changed our operating procedures. We have not experienced any significant contaminations since 1997.

Many of our customers are pharmaceutical and biotechnology companies, and we are subject to risks, uncertainties and trends that affect companies in those industries.

Sales of our products and services are highly dependent on research and development expenditures by pharmaceutical and biotechnology companies. We are therefore subject to risks, uncertainties and trends that affect companies in those industries, including government regulation, pricing pressure, technological change and shifts in the focus and scope of research and development expenditures. For example, over the past several years, the pharmaceutical industry has undergone significant mergers and combinations, and many industry experts expect this trend to continue. After recent mergers and combinations, some customers combined or otherwise reduced their research and development operations, resulting in fewer animal research activities. We experienced both temporary disruptions and permanent reductions in sales of our research models to some of these customers. Future mergers and combinations in the pharmaceutical or biotechnology industries, or other industry-wide trends, could adversely affect demand for or pricing of our products.

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New technologies may be developed, validated and increasingly used in biomedical research that could reduce demand for some of our products and services.

For many years, groups within the scientific and research community have attempted to develop models, methods and systems that would replace or supplement the use of living animals as test subjects in biomedical research. Companies have developed several techniques that have scientific merit, especially in the area of cosmetics and household product testing, markets in which we are not active. Only a few alternative test methods in the discovery and development of effective and safe treatments for human and animal disease conditions have been validated and successfully deployed. The principal validated non-animal test system is the LAL, or endotoxin detection system, a technology which we acquired and have aggressively marketed as an alternative to testing in animals. It is our strategy to participate in some fashion with any non-animal test method as it becomes validated as a research model alternative or adjunct in our markets. However, these methods may not be available to us or we may not be successful in commercializing these methods. Even if we are successful, sales or profits from these methods may not offset reduced sales or profits from research models.

Alternative research methods could decrease the need for research models, and we may not be able to develop new products effectively or in a timely manner to replace any lost sales. In addition, one of the anticipated outcomes of genomics research is to permit the elimination of more compounds prior to preclinical testing. While this outcome may not occur for several years, if at all, it may reduce the demand for some of our products and services.

The outsourcing trend in the preclinical and nonclinical stages of drug discovery and development, meaning contracting out to others functions that were previously performed internally, may decrease, which could slow our growth.

Some areas of our biomedical products and services business have grown significantly as a result of the increase over the past several years in pharmaceutical and biotechnology companies outsourcing their preclinical and nonclinical research support activities. While industry analysts expect the outsourcing trend to continue for the next several years, a substantial decrease in preclinical and nonclinical outsourcing activity could result in a diminished growth rate in the sales of one or more of our expected higher growth areas.

Our business may be affected by changes in the Animal Welfare Act and related regulations which may require us to alter our operations.

The United States Department of Agriculture, or USDA, has agreed, as part of a settlement of litigation, to propose a change to the regulations issued under the Animal Welfare Act to include rats, mice and birds, including chickens. Congress, however, has suspended the USDA's rulemaking authority in this area and is considering legislation which would permanently exclude these species from regulation under the Animal Welfare Act. The Animal Welfare Act imposes a wide variety of specific regulations on producers and users of regulated species including cage size, shipping conditions and environmental enrichment methods. Depending on whether the final rulemaking in this area includes rats, mice and birds, including chickens, we could be required to alter our production operations. This may include adding production capacity, new equipment and additional employees. We believe that application of the Animal Welfare Act to rats, mice and chickens used in our research model and vaccine support products operations in the United States will not result in loss of net sales, margin or market share, since

all U.S. producers and users will be subject to the same regulations. While we do not anticipate that the addition of rats, mice and chickens to the Animal Welfare Act would require significant expenditures, changes to the regulations may be more stringent than we expect and require more significant expenditures. Additionally, if we fail to comply with state regulations, including general anti-cruelty legislation, foreign laws and other anti-cruelty laws, we could face significant civil and criminal penalties.

Factors such as exchange rate fluctuations and increased international and U.S. regulatory requirements may increase our costs of doing business in foreign countries.

A significant part of our net sales is derived from operations outside the United States. Our operations and financial results could be significantly affected by factors such as changes in foreign currency rates, uncertainties related to regional economic circumstances and the costs of complying with a wide variety of international and U.S. regulatory requirements.

Because the sales and expenses of our foreign operations are generally denominated in local currencies, we are subject to exchange rate fluctuations between local currencies and the U.S. dollar in the reported results of our foreign operations. These fluctuations may decrease our earnings. We currently do not hedge against the risk of exchange rate fluctuations.

We face significant competition in our business, and if we are unable to respond to competition in our business, our revenues may decrease.

We face significant competition from different competitors in each of our business areas. Some of our competitors in biotech safety testing and medical device testing are larger than we are and may have greater capital, technical or other resources than we do. We generally compete on the basis of quality, reputation and availability of service. Expansion by our competitors into other areas in which we operate, new entrants into our markets or changes in our competitors' strategy could adversely affect our competitive position. Any erosion of our competitive position may decrease our revenues or limit our growth.

Negative attention from special interest groups may impair our business.

Our core research model activities with rats, mice and other rodents have not historically been the subject of animal rights media attention. However, the large animal component of our business has been the subject of adverse attention and on-site protests. We closed our small import facility in England due in part to protests by animal right activists, which included threats against our facilities and employees. Future negative attention or threats against our facilities or employees could impair our business.

One of our large animal operations is dependent on a single source of supply, which if interrupted could adversely affect our business.

We depend on a single, international source of supply for one of our large animal operations. Disruptions to their continued supply may arise from export or import restrictions or embargoes, foreign government or economic instability, or severe weather conditions. Any disruption of supply could harm our business if we cannot remove the disruption or are unable to secure an alternative or secondary source on comparable commercial terms.

Tax benefits we expect to be available in the future may be subject to challenge.

In connection with the recapitalization, our shareholders, CRL Acquisition LLC and Bausch & Lomb Incorporated, or B&L, made a joint election intended to permit us to increase the depreciable and amortizable tax basis in our assets for federal income tax purposes, thereby providing us with expected future tax benefits. In connection with our initial public offering, CRL Acquisition LLC reorganized, terminated its existence as a corporation for tax purposes and distributed a substantial portion of our stock to its members. It is possible that the Internal Revenue Service may contend that this reorganization and liquidating distribution should be integrated with our original recapitalization. We believe that the reorganization and liquidating distribution should not have any impact upon the election for federal income tax purposes. However, the Internal Revenue Service may reach a different conclusion. If the Internal Revenue Service were successful, the expected future tax benefits would not

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be available and we would be required to write off the related deferred tax asset reflected in our balance sheet by recording a non-recurring tax expense in our results of operations in an amount equal to such deferred tax asset.

We depend on key personnel and may not be able to retain these employees or recruit additional qualified personnel, which would harm our business.

Our success depends to a significant extent on the continued services of our senior management and other members of management. James C. Foster, our Chief Executive Officer since 1992, has held various positions with Charles River for 25 years and recently became our Chairman. We have no employment agreement with Mr. Foster, nor with any other executive officer. If Mr. Foster or other members of management do not continue in their present positions, our business may suffer.

Because of the specialized scientific nature of our business, we are highly dependent upon qualified scientific, technical and managerial personnel. There is intense competition for qualified personnel in the pharmaceutical and biotechnological fields. Therefore, we may not be able to attract and retain the qualified personnel necessary for the development of our business. The loss of the services of existing personnel, as well as the failure to recruit additional key scientific, technical and managerial personnel in a timely manner, could harm our business.

Our historical financial information may not be representative of our results as a separate company.

The historical financial information in this Annual Report on Form 10-K for the periods prior to the recapitalization may not reflect what our results of operations, financial position and cash flows would have been had we been a separate, stand-alone company during the periods presented. We made some adjustments and allocations to the historical financial statements for the periods prior to the recapitalization included in this Annual Report on Form 10-K because B&L did not account for us as a single stand-alone business in those periods. Our adjustments and allocations made in preparing our historical consolidated financial statements may not appropriately reflect our operations during the periods presented as if we had operated as a stand-alone company.

Item 2. Properties

The following charts provide summary information on our properties. The first chart lists the sites we own, and the second chart lists the sites we lease. Most of our material leases expire from 2002 to 2005.

Sites Owned

Country	No. of Sites	Total Square Feet	Principal Functions
Belgium	1	16,140	Office, Production
Canada	1	60,794	Office, Production, Laboratory
China	1	19,372	Office, Production, Laboratory
France	5	664,089	Office, Production, Laboratory
Germany	3	131,096	Office, Production, Laboratory
Italy	1	43,390	Office, Production, Laboratory
Japan	2	116,340	Office, Production, Laboratory
United Kingdom	2	58,240	Office, Production, Laboratory
United States	22	989,993	Office, Production, Laboratory
Total	38	2,099,454	

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Sites Leased

Country	No. of Sites	Total Square Feet	Principal Functions
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Country	No. of Sites	Total Square Feet	Principal Functions
Australia	1	8,518	Office, Production
Czech Republic	2	8,802	Office, Production, Laboratory
Hungary	2	11,530	Office, Production, Laboratory
Japan	6	62,326	Office, Production, Laboratory
Netherlands	1	300	Office
Spain	1	3,228	Office, Production
Sweden	1	8,073	Sales Office
United States	25	679,430	Office, Production, Laboratory
Total	39	782,207	

Item 3. Legal Proceedings

Our operations and properties are subject to extensive foreign and federal, state and local environmental protection and health and safety laws and regulations. These laws and regulations govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities. Under such laws and regulations, we are required to obtain permits from governmental authorities for some of our operations. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. Under some environmental laws and regulations, we could also be held responsible for all of the costs relating to any contamination at our past or present facilities and at third party waste disposal sites. As a result of disputes with federal, state and local authorities and private environmental groups regarding damage to mangrove plants on two islands in the Florida Keys, we agreed to refoliate the islands at our cost. Although we have not been able to completely replant, principally due to the presence of a free-range animal population and storms, we believe that the cost of refoitation will not have a material adverse effect on our business.

Although we believe that our costs of complying with current and future environmental laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances will not materially adversely affect our business, results of operations or financial condition, we cannot assure you that they will not do so.

We are not a party to any other material legal proceedings, other than ordinary routine litigation incidental to our business that is not material to our business or financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Shareholders on May 8, 2001. As described in the 2001 Proxy Statement, the following actions were taken:

The ten nominees for directors were elected.

The appointment of PricewaterhouseCoopers LLP as independent auditors for the Fiscal year 2001 was ratified.

The increase in the aggregate number of shares that may be delivered in satisfaction of awards under the Company's 2000 Incentive Plan was approved.

The votes were as follows:

	Number of Shares Voted For	Number of Shares Voted Against
James C. Foster	32,788,030	1,504,457

	Number of Shares Voted For	Number of Shares Voted Against
Robert Cawthorn	34,225,837	66,650
Stephen Chubb	34,226,037	66,450
Thomson Dean	32,476,240	1,816,247
Stephen McCluski	32,535,680	1,756,807
Reid Perper	32,500,380	1,792,107
Douglas Rogers	34,226,437	66,050
Samuel Thier	34,225,437	67,050
William Waltrip	34,226,037	66,450
Henry Wendt	34,226,157	66,330

For approval of the increase in the aggregate number of shares that may be delivered in satisfaction of awards under the Company's 2000 Incentive Plan:

24,985,117 shares voted for; 7,787,578 shares voted against; 25,625 shares abstained from voting.

For ratification of independent auditors:

34,274,456 shares voted for; 16,616 shares voted against; 1,415 shares abstained from voting.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock began trading on the New York Stock Exchange on June 23, 2000 under the symbol "CRL". The following table sets forth for the periods indicated below closing prices for our common stock, as reported on the NYSE Composite Tape.

2002	High	Low
First quarter (through March 12, 2002)	\$ 33.48	\$ 27.90
2001	High	Low
First quarter	\$ 28.20	\$ 18.00
Second quarter	34.00	21.55
Third quarter	35.90	28.77
Fourth quarter	37.40	30.60
2000	High	Low
Second quarter (from June 23, 2000)	\$ 22.00	\$ 22.00
Third quarter	33.06	21.19
Fourth quarter	34.00	20.50

Stockholders

As of March 12, 2002, there were approximately 116 stockholders of record of the outstanding shares of common stock.

Dividends

We have not declared or paid any cash dividends on shares of our common stock in the past three years, except to our former parent company and we do not intend to pay cash dividends in the foreseeable future. We currently intend to retain any earnings to finance future operations and expansion and to reduce indebtedness. We are a holding company and are dependent on distributions from our subsidiaries to meet our cash requirements. The terms of the indenture governing our senior subordinated notes and our credit facility restrict the ability of our subsidiaries to make distributions to us and, consequently, restrict our ability to pay dividends on our common stock.

Item 6. Selected Consolidated Financial Data

The following table presents our selected consolidated financial data and other data as of and for the fiscal years ended December 29, 2001, December 30, 2000, December 25, 1999, December 26, 1998 and December 27, 1997. You should read the information contained in this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes.

	Fiscal Year (1)				
	2001	2000	1999	1998	1997
	(dollars in thousands)				
Statement of Income Data:					
Total net sales	\$ 465,630	\$ 306,585	\$ 231,413	\$ 205,061	\$ 181,227
Cost of products sold and services provided	298,379	186,654	146,729	134,307	121,974
Selling, general and administrative expenses	68,315	51,204	39,765	34,142	30,451
Amortization of goodwill and other intangibles	8,653	3,666	1,956	1,287	834
Restructuring charges					5,892
Operating income	90,283	65,061	42,963	35,325	22,076
Interest income	1,493	1,644	536	986	865
Other income	464	390	89		
Interest expense	(22,797)	(40,691)	(12,789)	(421)	(501)
Gain (loss) from foreign currency, net	36	(319)	(136)	(58)	(221)
Income before income taxes, minority interests and earnings from equity investments	69,479	26,085	30,663	35,832	22,219
Provision for income taxes	27,095	7,837	15,561	14,123	8,499
Income before minority interests and earnings from equity investments	42,384	18,248	15,102	21,709	13,720
Minority interests	(2,206)	(1,396)	(22)	(10)	(10)
Earnings from equity investments	472	1,025	2,044	1,679	1,630
Income before extraordinary item	40,650	17,877	17,124	23,378	15,340
Extraordinary loss, net of tax	(5,243)	(29,101)			
Net income (loss)	\$ 35,407	\$ (11,224)	\$ 17,124	\$ 23,378	\$ 15,340
Other Data:					
Depreciation and amortization	\$ 27,175	\$ 16,766	\$ 12,318	\$ 10,895	\$ 9,703
Capital expenditures	36,406	15,565	12,951	11,909	11,872
Balance Sheet Data (at end of period):					
Cash and cash equivalents	\$ 58,271	\$ 33,129	\$ 15,010	\$ 24,811	\$ 17,915
Working capital	111,622	55,417	27,574	42,574	46,153
Total assets	571,362	413,545	359,292	234,254	196,211
Total debt	156,800	202,912	386,044	1,582	1,363

Fiscal Year (1)

Total shareholders' equity (deficit)	289,510	119,864	(109,946)	168,259	149,364
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(1)

Our fiscal year consists of 12 months ending on the last Saturday on, or prior to, December 31.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements.

Overview

We are a leading provider of critical research tools and integrated support services that enable innovative and efficient drug discovery and development. We are the global leader in providing the animal research models required in research and development for new drugs, devices and therapies and have been in this business for more than 50 years.

We have two reportable segments for financial reporting purposes: research models and biomedical products and services. In addition, since services represent over 10% of our net sales, our consolidated statements of income also provide a breakdown of net sales between net sales related to products, which include both research models and biomedical products, and net sales related to services, which reflect biomedical services, and a breakdown of costs between costs of products sold and costs of services provided. The following tables show the net sales and the percentage contribution of our reportable segments for the past three years. They also show costs of products sold and services provided, selling, general and administrative expenses and operating income by segment and as percentages of their respective segment net sales.

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
	(dollars in millions)		
Net sales:			
Research models	\$ 197.5	\$ 178.0	\$ 143.1
Biomedical products and services	268.1	128.6	88.3
Costs of products sold and services provided:			
Research models	\$ 117.4	\$ 107.4	\$ 90.8
Biomedical products and services	180.9	79.3	55.9
Selling, general and administrative expenses:			
Research models	\$ 28.6	\$ 29.3	\$ 20.9
Biomedical products and services	32.5	19.8	13.8
Operating income:			
Research models	\$ 50.9	\$ 40.9	\$ 31.6
Biomedical products and services	46.6	26.3	16.5

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Fiscal Year Ended

December 29, 2001	December 30, 2000	December 25, 1999
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	Fiscal Year Ended		
	(as a percent of net sales)		
Net sales:			
Research models	42.4%	58.1%	61.8%
Biomedical products and services	57.6%	41.9%	38.2%
Costs of products sold and services provided:			
Research models	59.4%	60.3%	63.5%
Biomedical products and services	67.5%	61.7%	63.3%
Selling, general and administrative expenses:			
Research models	14.5%	16.5%	14.6%
Biomedical products and services	12.1%	15.4%	15.6%
Operating income:			
Research models	25.8%	23.0%	22.1%
Biomedical products and services	17.4%	20.5%	18.7%

RESULTS OF OPERATIONS

The following table summarizes historical results of operations as a percentage of net sales for the periods shown:

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Net sales	100.0%	100.0%	100.0%
Cost of products sold and services provided	64.1%	60.9%	63.4%
Selling, general and administrative expenses	14.7%	16.7%	17.2%
Amortization of goodwill and other intangibles	1.9%	1.2%	0.8%
Interest income	0.3%	0.5%	0.2%
Interest expense	4.9%	13.3%	5.5%
Provision for income taxes	5.8%	2.6%	6.7%
Earnings from equity investments	0.1%	0.3%	0.9%
Minority interests	0.5%	0.5%	%
Income before extraordinary item	8.7%	5.8%	7.4%

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the consolidated financial statements of Charles River Laboratories International, Inc., which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and use assumptions that effect the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgements, including those related to bad debts, inventories, intangible assets, income taxes, financing obligations, restructuring costs, retirement benefits and litigation. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The following are our critical accounting policies:

We currently have significant deferred tax assets, which are subject to periodic recoverability assessments. Realization of our deferred tax assets is principally dependent upon our achievement of projected future taxable income. Our judgements regarding future profitability may change due to future market conditions, our ability to continue to successfully execute our strategy and other factors.

We have significant intangible assets related to goodwill and other acquired intangibles. The determination of related estimated useful lives and whether or not these assets are impaired involves significant judgements. Changes in business strategy and/or market conditions may significantly impact these judgements and require adjustment to the recorded asset balances.

We recognize revenue when persuasive evidence of an arrangement exists, the transfer of title and risk of loss has occurred, the sales price is fixed and determinable and collectibility is probable. This recognition criteria is met at the time the product is delivered to the customer's site. Product sales are recorded net of returns at the time revenue is recognized. Sales related to services are generally recognized over the contract term using the percentage of completion method. Billings in excess of revenue on service contracts are recorded as deferred income until the revenue recognition criteria are met.

Fiscal 2001 Compared to Fiscal 2000

Net Sales. Net sales in 2001 were \$465.6 million, an increase of \$159.0 million, or 51.9%, from \$306.6 million in 2000. On a pro forma basis, sales increased 15.0% in 2001 or 17.1%, excluding the negative impact from currency translation. Pro forma sales includes net sales of our acquisitions as if they occurred at the beginning of fiscal 2000.

Research Models. Net sales of research models in 2001 were \$197.5 million, an increase of \$19.5 million, or 11.0%, from \$178.0 million in 2000. Small animal research model sales increased in North America by 12.2% due to improved pricing, a shift to higher priced specialty units and an increase in unit volume. Excluding negative impact from currency translation of \$1.9 million, small animal research model sales in Europe increased 13.2%, driven in part by increased equipment sales as well as a shift to higher priced specialty units and an increase in unit volume. On a pro forma basis, small animal research model sales in Japan increased 14.7% in 2001, excluding the negative impact from currency translation. Our large animal breeding and import conditioning business sales decreased by \$2.0 million in 2001 due to the closure of our conditioning facility in the UK during the second quarter of 2000 and the sale of our Florida breeding colony, which was sold in the first quarter of 2000.

Biomedical Products and Services. Net sales of biomedical products and services in 2001 were \$268.1 million, an increase of \$139.5 million, or 108.5%, compared to \$128.6 million in 2000. Pro forma sales of biomedical products and services increased 20.9% in 2001 compared to 2000. We acquired two businesses during the first quarter of 2001, Pathology Associates International Corporation ("PAI") on January 8 and Primedica Corporation ("Primedica") on February 27, which contributed \$118.0 million of sales in 2001. On a pro forma basis, PAI and Primedica net sales increased 25.2% over last year.

Cost of Products Sold and Services Provided. Cost of products sold and services provided in 2001 was \$298.3 million, an increase of \$111.6 million, or 59.8%, from \$186.7 million in 2000. Cost of products sold and services provided in 2001 were 64.1% of the net sales compared to 60.9% in 2000.

Research Models. Cost of products sold and services provided for research models in 2001 was \$117.4 million, an increase of \$10.0 million, or 9.3%, compared to \$107.4 million in 2000. Cost of products sold and services provided in 2001 improved to 59.4% of net sales compared to 60.3% of net

sales in 2000. Cost of products sold and services provided increased at a lower rate than net sales due to increased sales which resulted in improved capacity utilization and improved efficiencies.

Biomedical Products and Services. Cost of products sold and services provided for biomedical products and services in 2001 was \$180.9 million, an increase of \$101.6 million compared to \$79.3 million in 2000. Cost of products sold and services provided as a percentage of net sales increased to 67.5% in 2001 from 61.7% in 2000. Cost of products sold and services provided increased as a percentage of net sales in 2001 primarily due to the addition of PAI and Primedica which operated at lower gross margins than the remainder of our biomedical products

and services businesses.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in 2001 were \$68.3 million, an increase of \$17.1 million, or 33.4%, from \$51.2 million in 2000. Selling, general and administrative expenses in 2001 were 14.7% of net sales compared to 16.7% of net sales in 2000.

Research Models. Selling, general and administrative expenses for research models in 2001 were \$28.6 million, a decrease of \$0.7 million compared to \$29.3 million in 2000. Selling, general and administrative expenses in 2001 were 14.5% of net sales, compared to 16.5% in 2000, principally due to economies of scale. We recorded a charge of \$1.5 million and \$1.3 million, respectively, in 2001 and 2000 associated with the closing of a France facility.

Biomedical Products and Services. Selling, general and administrative expenses for biomedical products and services in 2001 were \$32.5 million, an increase of \$12.7 million, or 64.1%, compared to \$19.8 million in 2000. Selling, general and administrative expenses in 2001 decreased to 12.1% of net sales, compared to 15.4% of net sales in 2000, due to cost savings from greater economies of scale and cost reductions realized through our acquisitions of PAI and Primedica. During the fourth quarter of 2001, we recorded a charge of \$1.8 million in selling, general and administrative expenses associated with the closing of our San Diego, California facility.

Unallocated Corporate Overhead. Unallocated corporate overhead, which consists of various corporate expenses, was \$7.2 million in 2001, compared to \$2.1 million in 2000. The change was caused by increased research and development expenses resulting from our technology arrangements, increased administrative expenses and decreased pension income.

Amortization of Goodwill and Other Intangibles. Amortization of goodwill and other intangibles in 2001 was \$8.7 million, an increase of \$5.0 million from \$3.7 million in 2000. The increase was due to the effect of additional amortization of goodwill and other intangibles resulting from our PAI and Primedica acquisitions.

Operating Income. Operating income in 2001 was \$90.3 million, an increase of \$25.2 million, or 38.7%, from \$65.1 million in 2000. Operating income in 2001 was 19.4% of net sales, compared to 21.2% of net sales in 2000.

Research Models. Operating income from sales of research models in 2001 was \$50.9 million, an increase of \$10.0 million, or 24.4%, from \$40.9 million in 2000. Operating income from sales of research models in 2001 was 25.8% of net sales, compared to 23.0% in 2000 due to increased sales and higher gross margins primarily from improved capacity utilization.

Biomedical Products and Services. Operating income from sales of biomedical products and services in 2001 was \$46.6 million, an increase of \$20.3 million, or 77.2%, from \$26.3 million in 2000. Operating income from sales of biomedical products and services in 2001 decreased to 17.4% of net sales, compared to 20.5% of net sales in 2000, due to the lower margins from the acquisitions of PAI and Primedica, the additional amortization expenses resulting from the acquisitions and the charge associated with the closure of our San Diego, California facility partially off-set by the lower selling, general and administrative expenses due to the economies of scale realized.

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Interest Expense. Interest expense in 2001 was \$22.8 million, compared to \$40.7 million in 2000. The \$17.9 million decrease is primarily due to the reductions of debt in 2000 and 2001 with proceeds from our equity offerings as well as the impact of lower interest rates on our variable rate debt.

Other Income. During 2001, we received insurance proceeds relating to damaged production facilities, which resulted in a net gain of \$0.5 million.

Income Taxes. The effective tax rate in 2001 of 39.0% compares favorably to the effective tax rate of 48.3% in 2000, excluding the \$4.8 million reversal of a portion of the deferred tax valuation allowance in 2000. In 2001, the increased operating income, along with the impact of reduced leverage, increased our pre-tax income. The greater pre-tax income decreased the impact of the permanent differences on the tax rate and lead to better utilization of foreign tax credits.

Income before Extraordinary Loss. Income before extraordinary loss in 2001 was \$40.7 million, an increase of \$22.8 million from \$17.9 million in 2000. The improvement is driven by the increase in operating income, the decrease in interest expense and is offset by increased income taxes.

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Extraordinary Loss. We recorded an extraordinary loss of \$5.2 million in 2001. The pre-tax loss of \$8.0 million is the result of a premium associated with the debt repayments and the write-off of deferred financing costs and original issuance discounts. The related tax benefit was \$2.8 million. In 2000, we recorded an extraordinary loss of \$29.1 million, net of tax benefit of \$15.7 million, as a result of the early repayment of debt.

Net Income/Loss. Net income in 2001 was \$35.4 million, an increase of \$46.6 million from a loss of \$11.2 million in 2000.

Fiscal 2000 Compared to Fiscal 1999

Net Sales. Net sales in 2000 were \$306.6 million, an increase of \$75.2 million, or 32.5%, from \$231.4 million in 1999. Results for 2000 and 1999 on a pro forma basis for the strategic transactions include the acquisition of SBI Holdings Inc., which we refer to as Sierra, in September 1999 and the acquisition of our Japanese joint venture in February 2000, and reflect a 10.0% increase for the year, 12.4% excluding the impact of foreign currencies.

Research Models. Net sales of research models in 2000 were \$178.0 million, an increase of \$34.9 million, or 24.4%, from \$143.1 million in 1999. Small animal research model sales increased in North America by 12.3% due to continued improved pricing, a shift to higher priced specialty units and an increase in unit volume. Excluding negative currency translation of \$7.6 million and the reduction in laboratory equipment sales of \$1.8 million which tends to be variable, European small animal research model sales increased by 3.2%. Small animal research model sales in Japan, which we began consolidating during the first quarter of 2000, were \$36.2 million in 2000. We also experienced an increase during 2000 in our large animal import and conditioning business of 5.2%. Our large animal breeding colony in Florida, which was sold in the first quarter of 2000, accounted for \$2.8 million of sales in 1999.

Biomedical Products and Services. Net sales of biomedical products and services in 2000 were \$128.6 million, an increase of \$40.3 million, or 45.6%, from \$88.3 million in 1999. Sierra contributed \$26.8 million of sales growth in 2000 due to the full year impact of its acquisition. The remaining product lines increased 16.7% in total in 2000 primarily due to increased outsourcing by our customers.

Cost of Products Sold and Services Provided. Cost of products sold and services provided in 2000 was \$186.7 million, an increase of \$40.0 million, or 27.3%, from \$146.7 million in 1999. Cost of products sold and services provided in 2000 was 60.9% of net sales compared to 63.4% of net sales in 1999.

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Research Models. Cost of products sold and services provided for research models in 2000 was \$107.4 million, an increase of \$16.6 million, or 18.3% compared to \$90.8 million in 1999. Cost of products sold and services provided in 2000 was 60.3% of net sales compared to 63.5% of net sales in 1999. Cost of products sold and services provided increased at a lower rate than net sales due to increased sales volume resulting in improved capacity utilization.

Biomedical Products and Services. Cost of products sold and services provided for biomedical products and services in 2000 was \$79.3 million, an increase of \$23.4 million, or 41.9%, compared to \$55.9 million in 1999. Cost of products sold and services provided as a percentage of net sales in 2000 was 61.7%, compared to 63.3% in 1999. The favorable cost of products sold and services provided as a percentage of net sales in 2000 is attributable to our increased sales and improved Sierra profitability.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in 2000 were \$51.2 million, an increase of \$11.4 million, or 28.6%, from \$39.8 million in 1999. Selling, general and administrative expenses for 2000 were 16.7% of net sales compared to 17.2% of net sales in 1999.

Research Models. Selling, general and administrative expenses for research models in 2000 were \$29.3 million, an increase of \$8.4 million, or 40.2%, compared to \$20.9 million in 1999. The \$8.4 million increase is mainly due to consolidation of Charles River Japan in the first quarter of 2000 along with a \$1.3 million restructuring charge for a plant closing and personnel reductions in one of our small animal research model locations in France. Selling, general and administrative expenses for 2000 were 16.5% of net sales, compared to 14.6% for 1999.

Biomedical Products and Services. Selling, general and administrative expenses for biomedical products and services in 2000 were \$19.8 million, an increase of \$6.0 million, or 43.5%, compared to \$13.8 million in 1999. Selling, general and administrative expenses in 2000 decreased to 15.4% of net sales, compared to 15.6% of net sales in 1999, due to greater economics of scale realized through our acquisition of Sierra and increased sales.

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Unallocated Corporate Overhead. Unallocated corporate overhead, which consists of various corporate expenses, was \$2.1 million in 2000 compared to \$5.1 million in 1999. Unallocated corporate overhead has decreased mainly due to pension income from favorable investment returns.

Amortization of Goodwill and Other Intangibles. Amortization of goodwill and other intangibles in 2000 was \$3.7 million, an increase of \$1.7 million from \$2.0 million in 1999. The increase was due mainly to the full year effect of the amortization of intangibles from our Sierra acquisition.

Operating Income. Operating income in 2000 was \$65.1 million, an increase of \$22.1 million, or 51.4%, from \$43.0 million in 1999. Operating income in 2000 was 21.2% of net sales, compared to 18.6% of net sales in 1999. Operating income increased in total and as a percentage of net sales due to our sales growth, acquisition of Sierra and improved capacity utilization.

Research Models. Operating income from sales of research models in 2000 was \$40.9 million, an increase of \$9.3 million, or 29.4%, from \$31.6 million in 1999. Operating income from sales of research models in 2000 was 23.0% of net sales, compared to 22.1% in 1999. The increased operating income was attributable to the growth in sales coupled with improved capacity utilization.

Biomedical Products and Services. Operating income from sales of biomedical products and services in 2000 was \$26.3 million, an increase of \$9.8 million, or 59.4%, from \$16.5 million in 1999. Operating income from sales of biomedical products and services in 2000 increased to 20.5% of net sales, compared to 18.7% of net sales in 1999. The increase is attributable to our acquisition of Sierra as well as our increased sales.

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Interest Expense. Interest expense in 2000 was \$40.7 million, compared to \$12.8 million in 1999. The \$27.9 million increase from 1999 was primarily due to the additional debt incurred as a result of the recapitalization which occurred on September 29, 1999 partially offset by the debt repayment in the third quarter.

Income Taxes. The effective tax rate in 2000 excluding the reversal of the deferred tax valuation allowance of \$4.8 million was 48.3% as compared to 50.7% in 1999. The impact of leverage in the first half of the year had an unfavorable impact on our tax rate by lowering our pre-tax income, and increasing the impact of the permanent timing differences on the tax rate. The effective tax rate did improve in the last six months. The \$4.8 million reversal of the valuation allowance associated with the deferred tax asset was recorded as a tax benefit in the second quarter of 2000 due to a reassessment of the need for a valuation allowance following our initial public offering.

Income before Extraordinary Loss. Income before extraordinary loss in 2000 was \$17.9 million, an increase of \$0.8 million from \$17.1 million in 1999. The increase is driven by the increase in operating income and the reversal of the deferred tax valuation allowance, which is partially offset by the full year impact of interest expense.

Extraordinary Loss. We recorded an extraordinary loss of \$29.1 million during the third quarter of 2000. The pre-tax loss of \$44.8 million is the result of premiums related to the early repayment of debt and the write off of deferred financing costs and issuance discounts associated with the debt repayment and is recorded net of tax benefits of \$15.7 million.

Net Income/Loss. The loss in 2000 was \$11.2 million, a decrease of \$28.3 million from net income of \$17.1 million in 1999. The increased income from operations and the reversal of the deferred tax valuation allowance was offset by the extraordinary loss associated with the debt repayment and the full year impact of interest expense.

Liquidity and Capital Resources

Historically, our principal sources of liquidity have been cash flow from operations, borrowings under our credit facility and proceeds from our public offerings.

Borrowings under the credit facility bear interest at a rate per year equal to a margin over either a base rate or LIBOR. The \$30.0 million revolving loan commitment will mature on October 1, 2005. The revolving credit facility may be increased by up to \$25.0 million at our request, which will only be available to us under some circumstances, under the same terms and conditions of the original \$30.0 million revolving credit facility. The term loan facility under the credit facility consists of a \$40.0 million term loan A facility and a \$120.0 million term loan B facility. The term loan A facility matures on October 1, 2005 and the term loan B facility matures on October 1, 2007. In February 2001, in connection with the anticipated Primedica acquisition, we amended our credit facility to add a \$25 million term loan C facility, which will mature on October 14, 2007, and increased the interest rate on the term loan A facility to LIBOR plus 1.75% from LIBOR plus 1.5%. As of December 29,

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2001, the interest rate on the term loan A facility was 3.68%, the interest rate on the term loan B facility was 5.68%, the interest rate on the term loan C facility was 5.36%. There was an aggregate amount of \$68.6 million outstanding under our loan facilities. The credit facility contains customary covenants and events of default, including substantial restrictions on our subsidiary's ability to declare dividends or make distributions. The term loans are subject to mandatory prepayment with the proceeds of certain asset sales and a portion of our excess cash flow.

In the third quarter of 2000, we consummated an initial public offering of 16,100,000 shares of our common stock at a price of \$16.00 per share. We used the net proceeds from the offering of approximately \$236.0 million to redeem a portion of the outstanding 13.5% senior subordinated notes, including associated premiums, and to repay our senior discount note and a portion of our bank debt.

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On March 21, 2001, we consummated a public offering of 3,500,000 shares of our common stock at a price of \$19.00 per share. In the offering, 4,550,000 shares of common stock, which included the exercise of the underwriters' over-allotment option of 1,050,000 shares, were also sold by existing shareholders. We received net proceeds of approximately \$62.2 million, which we used to repay a portion of our indebtedness and retire obligations incurred in connection with recent acquisitions.

On July 25, 2001, we consummated a public offering of 2,000,000 shares of our common stock at a price of \$29.00 per share. In the offering, 6,000,000 shares of common stock were sold by existing shareholders. On July 30, 2001, existing shareholders sold an additional 724,700 shares of common stock through the exercise of the over-allotment option. We received net proceeds of approximately \$54.5 million, which we used to repay a portion of our indebtedness and retire obligations incurred in the connection with recent acquisitions.

On January 24, 2002, we issued \$175.0 million par value of senior convertible debentures through a private placement offering. On February 11, 2002, we issued an additional \$10.0 million par value of senior convertible debentures through the additional purchase option. The senior convertible debentures will accrue interest at an initial annual rate of 3.5%, payable semi-annually in arrears, beginning August 1, 2002. The senior convertible debentures will mature in 2022 and are convertible into shares of the Company's common stock at a conversion price of \$38.87, subject to adjustment under certain circumstances. On or after February 5, 2005, we may redeem for cash all or part of the debentures that have not been previously converted at the redemption prices set forth in the purchase agreement. Holders may require the Company to repurchase for cash all or part of their debentures on February 1, 2008, February 1, 2013 or February 1, 2017 at a price equal to 100% of the principal amount of the debentures plus accrued interest. In addition, upon a change in control of our Company occurring on or prior to February 1, 2022, each holder may require us to repurchase all or a portion of such holder's debentures for cash. We have used a portion of the net proceeds from the senior convertible debenture offering to retire all of the 13.5% senior subordinated notes through a tender offer.

On February 14, 2002, we completed a tender offer for \$79,728 par value of all of the 13.5% senior subordinated notes at a premium of approximately 29.5%. The repayment of the 13.5% senior subordinated notes and related extraordinary loss will be recorded in the first quarter of 2002.

We anticipate that our operating cash flows, together with borrowings under our credit facility, will be sufficient to meet our anticipated future operating expenses, capital expenditures and debt service obligations as they become due. However, Charles River Laboratories International, Inc. is a holding company with no operations or assets other than its ownership of 100% of the common stock of its subsidiary, Charles River Laboratories, Inc. We have no source of liquidity other than dividends from our subsidiary.

Fiscal 2001 Compared to Fiscal 2000

Cash and cash equivalents of the Company totaled \$58.3 million at December 29, 2001 compared with \$33.1 million at December 30, 2000. Our principal sources of liquidity are cash flows from operations in addition to proceeds from our public offerings.

Net cash provided by operating activities in 2001 and 2000 was \$71.3 million and \$33.8 million respectively. The increase in cash provided by operations is primarily a result of improved performance during 2001.

Net cash used in investing activities in 2001 and 2000 was \$91.9 million and \$14.6 million, respectively. The increase in cash used is a result of our business acquisitions. During 2001, we used net cash of \$55.3 million to acquire PAI, Primedica and GMI. In the first quarter of 2000, we used net cash of \$6.0 million to acquire an additional 16% of equity in Charles River Japan. Also in order to grow

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our existing businesses we have incurred capital expenditures in 2001 and 2000 of \$36.4 million and \$15.6 million, respectively.

Net cash provided by financing activities in 2001 and 2000 was \$47.2 million and \$0.8 million, respectively. During 2001, we consummated two follow-on stock offerings which provided \$116.7 million in net proceeds. We used \$104.5 million of the proceeds to repay portions of our existing debt and capital lease obligations. Also the Company received \$40.0 million from our bank financing which was used in the purchases PAI and Primedica.

Minimum future payments of the Company's contractual obligations at December 29, 2001 are as follows:

Contractual Obligations	Total	Less than 1 Year	1 3 Years	4 5 Years	After 5 Years
Long-term debt	\$ 156.3	\$ 0.8	\$ 3.2	\$ 18.3	\$ 134.0
Capital lease obligations	0.5	0.2	0.3		
Operating leases	40.8	9.7	15.3	7.6	8.2
Unconditional purchase obligations	5.1		5.1		
Total contractual cash obligations	\$ 202.7	\$ 10.7	\$ 23.9	\$ 25.9	\$ 142.2

We anticipate that our operating cash flow, along with borrowings under our credit facility, will be sufficient to meet our anticipated future operating expenses, capital expenditures and debt service obligations as they become due.

Fiscal 2000 Compared to Fiscal 1999

Cash and cash equivalents of the Company totaled \$33.1 million at December 30, 2000 compared with \$15.0 million at December 25, 1999. Our principal sources of liquidity were cash flow from operations, borrowings under our credit facilities and cash provided by our initial public offering.

Net cash provided by operating activities for the year 2000 was \$33.8 million compared to net cash provided of \$37.6 million in 1999. Net loss for the year 2000 was \$11.2 million compared to net income of \$17.1 million in 1999. Net income was impacted by the extraordinary loss of \$29.1 million net of tax benefits of \$15.7 million.

Net cash used in investing activities during the year 2000 was \$14.6 million compared to \$34.2 million in 1999. On February 28, 2000, we acquired an additional 16% of the equity (340,840 common shares) of our 50% equity joint venture, Charles River Japan, from Ajinomoto Co., Inc. The purchase price for the equity was 1.4 billion yen or \$12.8 million. One billion yen, or \$9.2 million, was paid at closing and the balance of 400 million yen, or \$3.7 million, was deferred pursuant to a three year balloon promissory note. In addition, we acquired \$3.2 million in cash. In January of 2000 we sold our primate colony in Florida for \$7.0 million. In September of 1999 we purchased 100% of the common stock of Sierra for \$23.3 million including \$17.3 million paid to Sierra's former stockholders and \$6.0 million of assumed debt which was immediately retired. Capital expenditures in the year 2000 were \$15.6 million compared to \$13.0 million in 1999.

Net cash provided by financing activities during 2000 was \$0.8 million compared to cash used of \$11.5 million in 1999. We received \$236.0 million from our initial public offering of which we used \$204.4 million to paydown our existing debt, including issuance discounts, and \$31.5 million to pay premiums associated with the early repayment of the debt. In 1999, we received a \$92.4 million equity investment from DLJMB and affiliated funds, management and some other investors, we issued \$37.6 million senior discount debentures, which we retired in full in 2000, with warrants to purchase common stock. During 1999 we also issued \$150.0 million units consisting of senior subordinated notes, of which \$52.5 million was retired in 2000 with warrants to purchase common stock. Furthermore, in

1999 we borrowed \$162.0 million under our senior secured credit facility and paid off \$63.9 million in 2000. In 1999 we redeemed 87.5% of our outstanding capital stock held by Bausch & Lomb Incorporated ("B&L") for \$400.0 million and a \$43.0 million subordinated discount note, which we repaid in 2000. Net activity with B&L, our 100% shareholder up until the recapitalization in 1999, was \$29.4 million in net payments to B&L.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

We are subject to market risks arising from changes in interest rates and foreign currency exchange rates. Our primary interest rate exposure results from changes in LIBOR or the base rate which are used to determine the applicable interest rates under our term loans and revolving credit facility. Our potential loss over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate on all of our variable rate obligations would be approximately \$0.7 million. Fluctuations in interest rates will not affect the interest payable on the senior subordinated notes, which is fixed.

We do not use financial instruments for trading or other speculative purposes.

We also have exposure to some foreign currency exchange rate fluctuations for the cash flows received from our foreign affiliates. This risk is mitigated by the fact that their operations are conducted in their respective local currencies. Currently, we do not engage in any foreign currency hedging activities.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (FAS 141) and No. 142, "Goodwill and Other Intangible Assets" (FAS 142). FAS 141 supersedes Accounting Principles Board Opinion (APB) No. 16, "Business Combination." The provisions of FAS 141 (i) require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (ii) provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill, and (iii) require that unamortized negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. FAS 141 also requires that upon adoption of FAS 142 the Company reclassify the carrying amounts of certain intangible assets into or out of goodwill, based on certain criteria. FAS 142 supersedes APB 17, "Intangible Assets," and is effective for fiscal years beginning after December 15, 2001. FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of FAS 142 (i) prohibit the amortization of goodwill and indefinite-lived intangible assets, (ii) require that goodwill and indefinite-lived intangible assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired), (iii) require that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and (iv) remove the forty-year limitation on the amortization period of intangible assets that have finite lives.

The Company will adopt the provisions of FAS 142 in its first quarter ended March 30, 2002. The Company is in the process of preparing for its adoption of FAS 142 and is making the determinations as to what its reporting units are and what amounts of goodwill, intangible assets, other assets, and liabilities should be allocated to those reporting units. In connection with the adoption of FAS 142, the Company will reclassify approximately \$17.4 million of assembled workforce from other intangible assets into goodwill and will no longer record approximately \$6.3 million of amortization relating to its existing goodwill and indefinite-lived intangibles.

FAS 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be measured as of the

beginning of the fiscal year. However, a company has six months from the date of adoption to complete the first step. The Company expects to complete that first step of the goodwill impairment test during the second quarter of 2002. The second step of the goodwill impairment test measures the amount of the impairment loss (measured as of the beginning of the year of adoption), if any, and must be completed by the end of the Company's fiscal year. Intangible assets deemed to have an indefinite life will be tested for impairment using a one-step process which compares the fair value to the carrying amount of the asset as of the beginning of the fiscal year, and pursuant to the requirements of FAS 142 will be completed during the first quarter of 2002. Any impairment loss resulting from the transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle in the second quarter of 2002. The Company has not yet determined what effect these impairment tests will have on the Company's earnings and financial position.

In July 2001, the FASB issued Statement of Financial Accounting Standards No.143, "Accounting for Asset Retirement Obligations" (FAS143). FAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity is required to capitalize the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. FAS143 is effective for fiscal years beginning after June 15, 2002 and will be adopted by the Company effective fiscal 2003. The Company believes adoption of this standard will not have a material effect on its consolidated financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" (FAS 144), which supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of

Long-lived Assets and for Long-lived Assets to Be Disposed Of" (FAS 121), and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (APB 30), for the disposal of a segment of a business. Because FAS 121 did not address the accounting for a segment of a business accounted for as a discontinued operation under APB 30, two accounting models existed for long-lived assets to be disposed. FAS 144 establishes a single accounting model, based on the framework established in FAS 121, for long-lived assets to be disposed. It also addresses certain significant implementation issues under FAS 121. The provisions of FAS 144 will be effective for the Company as of the beginning of fiscal year 2002. The Company believes adoption of this standard will not have a material effect on its consolidated financial statements.

Item 8. Financial Statements and Supplementary Data
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Report of Independent Accountants

To the Board of Directors and Shareholders of
Charles River Laboratories International, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Charles River Laboratories International, Inc. and its subsidiaries at December 29, 2001 and December 30, 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 2001 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Boston, Massachusetts

February 1, 2002, except as to Note 16 which is as of February 14, 2002

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share amounts)

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Net sales related to products	\$ 251,259	\$ 229,217	\$ 192,406
Net sales related to services	214,371	77,368	39,007
Total net sales	465,630	306,585	231,413
Costs and expenses			
Cost of products sold	147,354	136,161	121,065
Cost of services provided	151,025	50,493	25,664
Selling, general and administrative	68,315	51,204	39,765
Amortization of goodwill and other intangibles	8,653	3,666	1,956
Operating income	90,283	65,061	42,963
Other income (expense)			
Interest income	1,493	1,644	536
Other income and expense	500	71	(47)
Interest expense	(22,797)	(40,691)	(12,789)
Income before income taxes, minority interests, earnings from equity investments and extraordinary item	69,479	26,085	30,663
Provision for income taxes	27,095	7,837	15,561
Income before minority interests, earnings from equity investments and extraordinary item	42,384	18,248	15,102
Minority interests	(2,206)	(1,396)	(22)
Earnings from equity investments	472	1,025	2,044
Income before extraordinary item	40,650	17,877	17,124
Extraordinary loss, net of tax benefit of \$2,823 and \$15,670, respectively	(5,243)	(29,101)	
Net income (loss)	\$ 35,407	\$ (11,224)	\$ 17,124
Earnings per common share before extraordinary item			
Basic	\$ 0.99	\$ 0.64	\$ 0.86

	Fiscal Year Ended			
Diluted	\$	0.92	\$ 0.56	\$ 0.86
Earnings (loss) per common share after extraordinary item				
Basic	\$	0.86	\$ (0.40)	\$ 0.86
Diluted	\$	0.80	\$ (0.35)	\$ 0.86
Weighted average number of common shares outstanding before and after extraordinary item				
Basic		40,998,558	27,737,677	19,820,369
Diluted		44,215,383	31,734,354	19,820,369

See Notes to Consolidated Financial Statements.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	December 29, 2001	December 30, 2000
Assets		
Current assets		
Cash and cash equivalents	\$ 58,271	\$ 33,129
Trade receivables, less allowances of \$2,119 and \$1,036, respectively	98,478	45,949
Inventories	39,056	34,510
Deferred tax asset	8,701	2,055
Other current assets	5,648	4,094
Total current assets	210,154	119,737
Property, plant and equipment, net	155,919	117,001
Goodwill and other intangibles, less accumulated amortization of \$17,246 and \$8,713, respectively	90,374	41,893
Investments in affiliates	3,002	2,442
Deferred tax asset	87,781	107,964
Deferred financing costs	5,459	7,979
Other assets	18,673	16,529
Total assets	\$ 571,362	\$ 413,545
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 759	\$ 231
Current portion of capital lease obligations	174	181
Accounts payable	13,868	10,767
Accrued compensation	25,736	16,997
Deferred income	22,210	5,223
Accrued liabilities	28,899	24,187

	December 29, 2001	December 30, 2000
Accrued interest	2,838	3,451
Accrued income taxes	4,048	3,283
Total current liabilities	98,532	64,320
Long-term debt	155,506	201,957
Capital lease obligations	361	543
Accrued ESLIRP	11,383	10,116
Other long-term liabilities	3,082	3,415
Total liabilities	268,864	280,351
Commitments and contingencies (Note 13)		
Minority interests	12,988	13,330
Shareholders' equity		
Common stock (Note 6)	442	359
Capital in excess of par value	588,909	451,404
Retained earnings	(283,168)	(318,575)
Loans to officers	(341)	(920)
Unearned compensation	(316)	
Accumulated other comprehensive income	(16,016)	(12,404)
Total shareholders' equity	289,510	119,864
Total liabilities and shareholders' equity	\$ 571,362	\$ 413,545

See Notes to Consolidated Financial Statements.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(dollars in thousands)

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Cash flows relating to operating activities			
Net income/(loss)	\$ 35,407	\$ (11,224)	\$ 17,124
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	27,175	16,766	12,318
Amortization of debt issuance costs and discounts	1,403	2,104	681
Accretion of debenture and discount on note		6,500	2,644
Provision for doubtful accounts	1,018	121	148

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	Fiscal Year Ended		
Extraordinary loss, net of tax	5,243	29,101	
Earnings from equity investments	(472)	(1,025)	(2,044)
Minority interests	2,206	1,396	22
Deferred income taxes	17,190	(887)	8,625
Windfall tax benefit from exercises of employee stock options	1,891		
Gain on sale of facilities			(1,441)
Loss on disposal of property, plant and equipment	1,118	1,243	1,803
Other non-cash items	52	(1,021)	610
Changes in assets and liabilities			
Trade receivables	(27,505)	(1,021)	(3,333)
Inventories	(3,762)	(2,343)	133
Other current assets	(730)	860	(3,162)
Other assets	(2,163)	(4,837)	(1,943)
Accounts payable	312	(1,141)	(2,374)
Accrued compensation	4,467	6,757	868
Deferred income	10,241	(2,420)	4,223
Accrued liabilities	(2,377)	(467)	3,111
Accrued interest	(613)	(5,556)	8,930
Accrued income taxes	916	(619)	(11,264)
Accrued ESLIRP	1,267	1,801	570
Other long-term liabilities	(986)	(320)	1,319
	<u>71,298</u>	<u>33,768</u>	<u>37,568</u>
Net cash provided by operating activities			
Cash flows relating to investing activities			
Proceeds from sale of facilities			1,860
Proceeds from sale of animal colony		7,000	
Dividends received from equity investments			815
Capital expenditures	(36,406)	(15,565)	(12,951)
Contingent payments for prior year acquisitions	(250)		(841)
Acquisition of businesses net of cash acquired	(55,265)	(6,011)	(23,051)
	<u>(91,921)</u>	<u>(14,576)</u>	<u>(34,168)</u>
Net cash used in investing activities			
Cash flows relating to financing activities			
Payments received from (loans to) officers	579		(920)
Payments of deferred financing costs	(984)	(694)	(14,442)
Proceeds from long-term debt and revolving credit facility	41,915		339,007
Payments on long-term debt and payments on revolving credit facility	(104,462)	(202,632)	(252)
Premium paid for early retirement of debt	(3,841)	(31,532)	
Payments on capital lease obligations	(4,202)	(324)	(307)
Dividends paid to minority interests	(729)		
Net activity with Bausch & Lomb			(29,415)
Proceeds from exercises of employee stock options	1,380		
Proceeds from exercise of warrants	883		10,606
Proceeds from issuance of common stock, net of transaction fees	116,691	235,964	92,387
Recapitalization transaction costs			(8,168)
Recapitalization consideration			(400,000)

	Fiscal Year Ended		
	1998	1997	1996
Net cash provided by (used in) financing activities	47,230	782	(11,504)
Effect of exchange rate changes on cash and cash equivalents	(1,465)	(1,855)	(1,697)
Net change in cash and cash equivalents	25,142	18,119	(9,801)
Cash and cash equivalents, beginning of year	33,129	15,010	24,811
Cash and cash equivalents, end of year	\$ 58,271	\$ 33,129	\$ 15,010
Supplemental cash flow information			
Cash paid for interest.	\$ 21,470	\$ 37,638	\$ 538
Cash paid for taxes.	\$ 5,868	\$ 8,539	\$ 4,656

See Notes to Consolidated Financial Statements.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(dollars in thousands)

	Total	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Capital in Excess of Par	Loans to Officers	Unearned Compensation
Balance at December 26, 1998	\$ 168,259	\$ 156,108	\$ (5,686)	\$ 1	\$ 17,836	\$	\$
Components of comprehensive income (net of tax):							
Net income	17,124	17,124					
Foreign currency translation	(3,241)		(3,241)				
Minimum pension liability adjustment	114		114				
Total comprehensive income	13,997						
Net activity with Bausch & Lomb	(29,415)	(29,415)					
Loans to officers	(920)					(920)	
Transaction costs	(8,168)	(8,168)					
Deferred tax asset	99,506				99,506		
Issuance of common stock	92,387			102	92,285		
Recapitalization consideration	(443,000)	(443,000)					
Redeemable common stock classified outside of equity	(13,198)				(13,198)		
Warrants	10,606				10,606		
Exchange of stock				95	(95)		
Balance at December 25, 1999	\$ (109,946)	\$ (307,351)	\$ (8,813)	\$ 198	\$ 206,940	\$ (920)	\$

	Total	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Capital in Excess of Par	Loans to Officers	Unearned Compensation
Components of comprehensive income (net of tax):							
Net loss	\$ (11,224)	\$ (11,224)		\$	\$	\$	\$
Foreign currency translation	(2,558)		(2,558)				
Minimum pension liability adjustment	(1,033)		(1,033)				
Total comprehensive income	(14,815)						
Deferred tax asset	(4,537)				(4,537)		
Issuance of common stock	235,964			161	235,803		
Redeemable common stock classified outside of equity	13,198				13,198		
Balance at December 30, 2000	\$ 119,864	\$ (318,575)	\$ (12,404)	\$ 359	\$ 451,404	\$ (920)	\$
Components of comprehensive income (net of tax):							
Net income	\$ 35,407	\$ 35,407		\$	\$	\$	\$
Foreign currency translation	(3,550)		(3,550)				
Minimum pension liability adjustment	(62)		(62)				
Total comprehensive income	31,795						
Issuance of common stock	116,691			55	116,636		
Exercise of stock options	1,380			2	1,378		
Windfall tax benefit from exercise of stock options	1,891				1,891		
Exercise of warrants	883			19	864		
Issuance of restricted stock related to business Acquisitions	16,375			7	16,368		
Issuance of restricted stock to employees					368		(368)
Amortization of unearned compensation	52						52
Repayment of officer loans	579					579	
Balance at December 29, 2001	\$ 289,510	\$ (283,168)	\$ (16,016)	\$ 442	\$ 588,909	\$ (341)	\$ (316)

See Notes to Consolidated Financial Statements.

(dollars in thousands)

1. Description of Business and Summary of Significant Accounting Policies

Basis of Presentation

Charles River Laboratories International, Inc. (together with its subsidiaries, the "Company") is a holding company with no operations or assets other than its ownership of 100% of the outstanding common stock of Charles River Laboratories, Inc. Through September 29, 1999, Charles River Laboratories International, Inc. and Charles River Laboratories, Inc. were 100% owned by Bausch & Lomb Incorporated ("B&L"). The assets, liabilities, operations and cash flows relating to Charles River Laboratories, Inc. and its subsidiaries were held by B&L and certain of its affiliated entities. As more fully described in Note 3, effective September 29, 1999, pursuant to a recapitalization agreement, all such assets, liabilities and operations were contributed to an existing dormant subsidiary which was subsequently renamed Charles River Laboratories, Inc. Under the terms of the recapitalization, Charles River Laboratories, Inc. became a wholly owned subsidiary of Charles River Laboratories International, Inc. These financial statements include all such assets, liabilities, results of operations and cash flows on a combined basis for the period prior to September 29, 1999 and on a consolidated basis thereafter.

On June 5, 2000, a 1.927 exchange of stock was approved by the Board of Directors of the Company in connection with the Company's initial public offering (Note 2). This exchange of stock was effective June 21, 2000. All earnings per common share amounts, references to common stock and shareholders' equity have been restated as if the exchange of stock had occurred as of the earliest period presented.

Charles River Laboratories International, Inc. was formerly known as Charles River Laboratories Holdings, Inc. prior to the year ended December 30, 2000. The consolidated financial statements and related notes presented herein reflect this name change.

Description of Business

The Company is a leading provider of critical research tools and integrated support services that enable innovative and efficient drug discovery and development. The Company's fiscal year is the twelve month period ending the last Saturday in December.

Principles of Consolidation

The financial statements include all majority-owned subsidiaries. Intercompany accounts, transactions and profits are eliminated. Affiliated companies over which the Company does not have the ability to exercise control are accounted for using the equity method (Note 12).

Use of Estimates

The financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

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Cash and Cash Equivalents

Cash equivalents include time deposits and highly liquid investments with remaining maturities at the purchase date of three months or less.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally on the average cost method.

Property, Plant and Equipment

Property, plant and equipment, including improvements that significantly add to productive capacity or extend useful life, are recorded at cost, while maintenance and repairs are expensed as incurred. Depreciation is calculated for financial reporting purposes using the straight-line method based on the estimated useful lives of the assets as follows: buildings, 20 to 40 years; machinery and equipment, 2 to 20 years; furniture and fixtures, 5 to 7 years; vehicles, 2 to 4 years; and leasehold improvements, shorter of estimated useful life or the lease periods.

Intangible Assets

Intangible assets are amortized on a straight-line basis over periods ranging from 5 to 20 years. Intangible assets consist primarily of goodwill, workforce and customer lists. The net goodwill balances as of December 29, 2001 and December 30, 2000 were \$70,797 and \$26,894, respectively.

Other Assets

Other assets consist primarily of the cash surrender value of life insurance policies and a defined benefit plan pension asset.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets and intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposal are less than its carrying amount. In such instances, the carrying value of long-lived assets is reduced to the estimated fair value, as determined using an appraisal or discounted cash flow, as appropriate.

Stock-Based Compensation Plans

As permitted under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123), the Company accounts for its stock-based compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). The Company adopted FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" an Interpretation of APB

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Opinion No. 25" (FIN 44) in 2000 with no impact on the results of operations or financial position of the Company.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, the transfer of title and risk of loss has occurred, the sales price is fixed and determinable and collectibility is probable. This recognition criteria is generally met at the time the product is delivered to the customer's site. Product sales are recorded net of returns. Amounts billed for shipping and handling costs are classified as revenue in the consolidated statement of income, in accordance with Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs." Costs incurred for shipping and handling is included in cost of products sold. Sales related to services are generally recognized over the contract term using the percentage of completion method in accordance with Statement of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Billings in excess of revenue on service contracts are recorded as deferred income until the revenue recognition criteria are met.

Fair Value of Financial Instruments

The carrying amount of the Company's significant financial instruments, which includes accounts receivable, accounts payable and the senior secured credit facility and other financing instruments (Note 3) approximates their fair values at December 29, 2001 and December 30, 2000. In addition, as discussed in Note 16, the Company consummated a tender offer for the outstanding senior subordinated notes.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). The asset and liability approach underlying FAS 109 requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of the Company's assets and liabilities.

Foreign Currency Translation

In accordance with the Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," the financial statements of all non-U.S. subsidiaries are translated into U.S. dollars as follows: assets and liabilities at year-end exchange rates; income, expenses and cash flows at average exchange rates; and shareholders' equity at historical exchange rates. The resulting translation adjustment is recorded as a

component of accumulated other comprehensive income in the accompanying balance sheet. Exchange gains and losses on foreign currency transactions are recorded as other income or expense.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables from customers within the pharmaceutical and biomedical industries. As these industries have experienced significant growth and its customers are predominantly well established and viable, the Company believes its exposure to credit risk to be minimal.

Comprehensive Income

The Company accounts for comprehensive income in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (FAS 130). As it relates to the Company, comprehensive income is defined as net income plus the sum of the change in currency translation adjustments and the change in minimum pension liability (collectively, other comprehensive income) and is presented in the Consolidated Statement of Changes in Shareholders' Equity.

Segment Reporting

In accordance with the Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" (FAS 131), the Company discloses financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available and regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company operates in two operating segments, research models and biomedical products and services.

Research models are principally comprised of virally defined purpose-bred rats and mice used in drug and medical device testing typically required by the FDA and foreign regulatory bodies. Biomedical products and services include discovery services, development services, in vitro detection systems and vaccine support services. Discovery services assist customers in screening drug candidates faster by providing genetically defined research models for in-house research and by implementing efficacy screening protocols to improve the customers' drug evaluation process. Development services are FDA compliant services that aid customers in drug safety assessment, biotech safety testing and medical device testing. In vitro detection systems are comprised of non-animal, or in vitro, products or services for testing the safety of drugs and devices. Vaccine support products are principally pathogen free fertilized chicken eggs, a critical ingredient for poultry vaccine production.

Earnings Per Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share is calculated by adjusting the weighted average number of common shares outstanding to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued (Note 5).

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (FAS 141) and No. 142, "Goodwill and Other

Intangible Assets" (FAS 142). FAS 141 supersedes Accounting Principles Board Opinion (APB) No. 16, "Business Combination." The provisions of FAS 141 (i) require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (ii) provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill, and (iii) require that unamortized negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. FAS 141 also requires that upon adoption of FAS 142 the Company reclassify the carrying amounts of certain intangible assets into or out of goodwill, based on certain criteria. FAS 142 supersedes APB 17, "Intangible Assets," and is effective for fiscal years beginning after December 15, 2001. FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of FAS 142 (i) prohibit the amortization of goodwill and indefinite-lived intangible assets, (ii) require that goodwill and indefinite-lived intangible assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or

indefinite-lived intangible assets may be impaired), (iii) require that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and (iv) remove the forty-year limitation on the amortization period of intangible assets that have finite lives.

The Company will adopt the provisions of FAS 142 in its first quarter ended March 30, 2002. The Company is in the process of preparing for its adoption of FAS 142 and is making the determinations as to what its reporting units are and what amounts of goodwill, intangible assets, other assets, and liabilities should be allocated to those reporting units. In connection with the adoption of FAS 142, the Company will reclassify approximately \$17,369 of assembled workforce from other intangible assets into goodwill and will no longer record approximately \$6,286 of amortization relating to its existing goodwill and indefinite-lived intangibles.

FAS 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be measured as of the beginning of the fiscal year. However, a company has six months from the date of adoption to complete the first step. The Company anticipates to complete that first step of the goodwill impairment test during the second quarter of 2002. The second step of the goodwill impairment test measures the amount of the impairment loss (measured as of the beginning of the year of adoption), if any, and must be completed by the end of the Company's fiscal year. Intangible assets deemed to have an indefinite life will be tested for impairment using a one-step process which compares the fair value to the carrying amount of the asset as of the beginning of the fiscal year, and pursuant to the requirements of FAS 142 will be completed during the first quarter of 2002. Any impairment loss resulting from the transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle in the second quarter of 2002. The Company has not yet determined what effect these impairment tests will have on the Company's earnings and financial position.

In July 2001, the FASB issued Statement of Financial Accounting Standards No.143, "Accounting for Asset Retirement Obligations" (FAS143). FAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity is required to capitalize the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. FAS143 is effective for fiscal

years beginning after June 15, 2002 and will be adopted by the Company effective fiscal 2003. The Company believes adoption of this standard will not have a material effect on its consolidated financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" (FAS 144), which supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of" (FAS 121), and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (APB 30), for the disposal of a segment of a business. Because FAS 121 did not address the accounting for a segment of a business accounted for as a discontinued operation under APB 30, two accounting models existed for long-lived assets to be disposed. FAS 144 establishes a single accounting model, based on the framework established in FAS 121, for long-lived assets to be disposed. It also addresses certain significant implementation issues under FAS 121. The provisions of FAS 144 will be effective for the Company as of the beginning of fiscal year 2002. The Company believes adoption of this standard will not have a material effect on its consolidated financial statements.

Reclassifications

Certain amounts in prior year financial statements and related notes have been reclassified to conform with current year presentation.

2. Public Offerings

On July 25, 2001, the Company consummated a public offering ("July offering") of 8,000,000 shares of common stock at a price of \$29.00 per share. The Company issued 2,000,000 shares of common stock and existing shareholders sold 6,000,000 shares. On July 30, 2001, existing shareholders sold an additional 724,700 shares of common stock through the exercise of the overallotment option. The Company received proceeds of \$54,469, net of the underwriters' commission and offering costs.

On March 21, 2001, the Company consummated a public offering ("March offering") of 8,050,000 shares of common stock at a price of \$19.00 per share. The Company issued 3,500,000 shares of common stock and existing shareholders sold 4,550,000 shares, which included the exercise of the underwriters' overallotment option of 1,050,000 shares. The Company received proceeds of \$62,222, net of the underwriters' commission and offering costs.

The uses of the July offering and March offering proceeds are as follows:

	July Offering	March Offering
	<u> </u>	<u> </u>
Repayment of senior subordinated notes	\$ 21,403*	\$
Repayment of term loan A	5,500	6,000
Repayment of term loan B	16,500	18,000
Repayment of term loan C	5,500	6,000
Repayment of revolver		17,000
Repayment of convertible note		9,210*
Repayment of other debt and early paydown of capital lease obligations	5,566	6,012
Transaction fees and expenses	3,531	4,278
	<u> </u>	<u> </u>
	\$ 58,000	\$ 66,500
	<u> </u>	<u> </u>

*

Includes issuance discount and premium on early repayment.

The Company has recorded an extraordinary loss before tax of \$8,066, due to the payment of premiums related to the early extinguishment of debt (\$3,841) and the write-off of deferred financing costs (\$2,372) and issuance discounts (\$1,853). This extraordinary loss was recorded in the consolidated statement of income net of a tax benefit of \$2,823 in 2001.

On June 28, 2000, the Company consummated an initial public offering (the "IPO") of 16,100,000 shares of its common stock at a price of \$16.00 per share. The number of shares includes the exercise of an over-allotment option by the underwriters. The Company received proceeds of \$235,964, net of underwriters' commissions and offering costs. Proceeds from the IPO were used to pay down a portion of the Company's existing debt as described below.

The Company used the proceeds from the IPO plus cash on hand of \$300 to repay \$204,732 of its existing debt, including issuance discounts. Premiums totaling \$31,532 were paid as a result of the early repayment of the senior discount debentures and a portion of the senior subordinated notes.

The sources and uses of cash from the IPO are as follows:

Sources of funds:	
Proceeds from offering	\$ 257,600
Cash on hand	300
Uses of funds:	
Redemption of senior subordinated notes	(52,500)*
Premium on redemption of principal amount of senior subordinated notes	(7,088)
Repayment of subordinated discount note	(46,884)
Repayment of senior discount debentures	(42,348)*
Premium on early extinguishment of senior discount debentures	(24,444)
Repayment of term loan A	(14,500)

Repayment of term loan B	(43,500)
Repayment of revolver	(5,000)
Transaction fees and expenses	(21,636)

Net adjustment to cash	\$
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*

Includes issuance discount.

An extraordinary loss before tax of \$44,771 was recorded due to the payment of premiums relating to the early extinguishment of debt (\$31,532); the write-off of issuance discounts (\$8,537) and deferred financing costs (\$5,226); offset by a book gain of \$524 on the subordinated discount note. This extraordinary loss was recorded net of a tax benefit of \$15,670.

3. Recapitalization and Related Financing

On September 29, 1999, CRL Acquisition LLC, an affiliate of DLJ Merchant Banking Partners II, L.P. and affiliated funds ("DLJMB Funds"), consummated a transaction in which it acquired 87.5% of the common stock of Charles River Laboratories, Inc. from B&L for approximately \$443.0 million. This transaction was effected through Charles River Laboratories International, Inc. and was accounted for as a leveraged recapitalization, which had no impact on the historical basis of assets and liabilities. The transaction did, however, affect the capitalization structure of the Company as further described below. In addition, concurrent with the transaction, and more fully described in Note 4, the Company purchased all of the outstanding shares of common stock of SBI Holdings, Inc. ("Sierra"), a pre-clinical biomedical services company, for \$23.3 million.

The recapitalization transaction and related fees and expenses were funded as follows:

issuance of 150,000 units, each consisting of a \$1,000 principal amount of a 13.5% senior subordinated note and one warrant to purchase 7.596 shares of common stock of the Company;

borrowings by the Company of \$162.0 million under a new senior secured credit facility;

an equity investment of \$92.4 million;

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issuance of \$37.6 million senior discount debentures with warrants; and

issuance of a \$43.0 million subordinated discount note to B&L.

The Company incurred approximately \$14,442 in debt issuance costs related to these transactions. The Company also incurred approximately \$984 of debt issuance cost related to the term loan C facility. These costs have been capitalized as long-term assets and are being amortized over the terms of the indebtedness. Of these costs, \$2,372 and \$5,226 were written off in 2001 and 2000, respectively, as a result of the repayments of debt. Amortization expense of \$1,132, \$1,503 and \$426 was recorded in the accompanying consolidated financial statements for the years ended December 29, 2001, December 30, 2000 and December 25, 1999, respectively. In addition, the Company also incurred transaction costs of \$8,168, which were recorded as an adjustment to retained earnings in 1999.

Subsidiaries of B&L retained 12.5% of their equity investment in the Company in the recapitalization. The Company estimated the fair value attributable to this equity to be \$13,198 which was reclassified in 1999 from capital in excess of par to the mezzanine section of the balance sheet due to the existence of a put option held by subsidiaries of B&L. As a result of the IPO on June 28, 2000, the put option expired. Accordingly, this amount was reclassified as permanent equity in capital in excess of par upon completion of the IPO.

Reconciliation of Recapitalization Transaction

The funding to consummate the 1999 recapitalization transaction was as follows:

Funding:	
Available cash	\$ 4,886
Senior subordinated notes with warrants	150,000
Senior secured credit facility	162,000
Senior discount debentures with warrants	37,600
DLJMB funds, management and other investor equity	92,387
	<hr/>
Total cash funding	446,873
Subordinated discount note	43,000
Equity retained by subsidiaries of B&L	13,198
	<hr/>
Total funding	\$ 503,071
	<hr/>
Uses of funds:	
Recapitalization consideration	\$ 443,000
Equity retained by subsidiaries of B&L	13,198
Cash consideration for Sierra acquisition (Note 4)	23,343
Debt issuance costs	14,442
Transaction costs	8,168
Loans to officers	920
	<hr/>
Total uses of funds	\$ 503,071
	<hr/>

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Senior Subordinated Notes and Warrants

As part of the recapitalization transaction, the Company issued 150,000 units, each comprised of a \$1,000 senior subordinated note and a warrant to purchase 7.596 shares of common stock of Charles River Laboratories International, Inc. for total proceeds of \$150,000. The senior subordinated notes will mature on October 1, 2009. The Company allocated the \$150,000 offering proceeds between the senior subordinated notes \$(147,872) and the warrants \$(2,128), based upon the estimated fair value. The discount on the senior subordinated notes is amortized over the life of the notes and amounted to \$133, \$186 and \$53 in 2001, 2000 and 1999, respectively. The portion of the proceeds allocated to the warrants is reflected as capital in excess of par in the accompanying consolidated financial statements. Each warrant entitles the holder, subject to certain conditions, to purchase 7.596 shares of common stock of Charles River Laboratories International, Inc. at an exercise price of \$5.19 per share of common stock, subject to adjustment under some circumstances. Upon exercise, the holders of warrants would be entitled to purchase 969,881 and 1,139,551 shares of common stock of Charles River Laboratories International, Inc. as of December 29, 2001 and December 30, 2000, respectively. The warrants currently will expire on October 1, 2009.

The Company used a portion of its proceeds from the 2001 offerings (Note 2) to repay \$21,403, including \$200 of discount of the senior subordinated notes and premiums of \$3,631. During the third quarter of 2000 the Company used a portion of the proceeds from the IPO (Note 2) to repay \$52,500, including \$671 of discount, of the senior subordinated notes. A premium of \$7,088 was also paid as a result of this redemption.

As a result of the IPO, the senior subordinated notes are subject to redemption at any time at the option of the issuer at redemption prices set forth in the senior subordinated notes. Interest on the senior subordinated notes accrues at a rate of 13.5% per annum and is paid semiannually in arrears on October 1 and April 1 of each year. The payment of principal and interest on the senior subordinated notes are subordinated in right to the prior payment of all senior debt.

Upon the occurrence of a change in control, the Company will be obligated to make an offer to each holder of the senior subordinated notes to repurchase all or any part of such holder's senior subordinated notes at an offer price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest. Restrictions under the senior subordinated notes include certain sales of assets, certain payments of dividends and incurrence of debt, and limitations on certain mergers and transactions with affiliates. The Company is also required to maintain compliance with certain covenants with respect to the notes.

Senior Secured Credit Facility

The senior secured credit facility includes a \$40,000 term loan A facility, a \$120,000 term loan B facility, a \$25,000 term loan C facility and a \$30,000 revolving credit facility. The term loan A facility will mature on October 1, 2005, the term loan B facility will mature on October 1, 2007, the term loan C facility will mature on October 14, 2007 and the revolving credit facility will mature on October 1, 2005. Interest on the term loan A and revolving credit facility accrues at either a base rate or LIBOR plus 1.75%, at the Company's option (3.68% at December 29, 2001). Interest on the term loan B accrues at either a base rate plus 2.50% or LIBOR plus 3.75% (5.68% at December 29, 2001). Interest

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on the term loan C facility accrues at either a base rate or LIBOR plus 3.25% (5.36% at December 29, 2001). Interest is paid quarterly in arrears commencing on December 30, 1999. At December 29, 2001, the Company had no outstanding borrowings on its revolving credit facility. A commitment fee in an amount equal to 0.38% per annum on the daily average unused portion of the revolving credit facility is paid quarterly in arrears. The senior secured credit facility requires the Company to remain in compliance with certain financial ratios as well as other restrictive covenants.

The Company used a portion of its proceeds from the 2001 offerings (Note 2) to repay \$11,500 of the term loan A facility and \$34,500 of the term loan B facility and \$11,500 of the term loan C facility. During the third quarter of 2000, the Company used a portion of its proceeds from the IPO (Note 2) to repay \$14,500 of the term loan A facility and \$43,500 of term loan B facility.

During the first quarter of 2000, the Company obtained a waiver and amended the credit agreement regarding certain equity investment provisions. In the third quarter of 2000, the Company obtained a waiver and amended the credit agreement to permit the consummation of the initial public offering.

The Company has certain insignificant foreign borrowings outstanding at December 29, 2001 and December 30, 2000, amounting to \$2,469 and \$4,798, respectively.

Other Financing

In connection with the acquisition of an additional 16% of its joint venture company, Charles River Japan, on February 28, 2000 (Note 4), the Company entered into a 400 million yen, or \$3,670, three year promissory note with Ajinomoto Co., Inc. The note is denominated in Japanese Yen and translated to U.S. dollars for financial statement purposes. The note bears interest at the long term prime rate in Japan, 1.85% at December 29, 2001, and is secured by the additional 16% of equity acquired. The outstanding balance was \$1,556 and \$3,562 at December 29, 2001 and December 30, 2000, respectively.

As part of the recapitalization in 1999, the Company issued senior discount debentures with detachable warrants ("the DLJMB Warrants") to the "DLJMB Funds" and other investors for \$37,600. The Company has estimated the fair value of the warrants to be \$8,478 and allocated the \$37,600 of proceeds between the discount debentures \$(29,122) and the warrants \$(8,478). The senior discount debentures were repaid in full during the third quarter of 2000 (Note 2). As a result of the repayment, the Company paid \$24,444 in premiums. The portion of the proceeds allocated to the DLJMB Warrants is reflected as capital in excess of par in the accompanying consolidated financial statements. Each of the 1,831,095 DLJMB Warrants will entitle the holders thereof to purchase one share of common stock of the Company at an exercise price of not less than \$0.01 per share subject to customary antidilution provisions and other customary terms. The DLJMB Warrants are exercisable at any time through April 1, 2010. As of December 29, 2001 and December 30, 2000, there were 97,387 and 1,831,095 DLJMB Warrants outstanding, respectively.

The \$43,000 subordinated discount note issued by the Company in connection with the recapitalization transaction was repaid in full during the third quarter of 2000 (Note 2).

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3. Recapitalization and Related Financing (Continued)***Minimum Future Principal Repayments***

Minimum future principal payments of long-term debt at December 29, 2001 are as follows:

Fiscal Year	
2002	\$ 759
2003	2,354
2004	836
2005	14,873
2006	3,428
Thereafter	134,015

Total	\$ 156,265

In addition, on January 24, 2002, the Company issued \$175,000 par value senior convertible debentures through a private placement offering (Note 16).

4. Business Acquisitions and Disposals

The Company acquired several businesses during the three-year period ended December 29, 2001. All acquisitions have been accounted for under the purchase method of accounting. The results of operations of the acquired businesses are included in the consolidated financial statements from the date of acquisition.

Significant acquisitions include the following:

On January 8, 2001, Charles River Laboratories, Inc. ("CRL"), the Company's wholly owned subsidiary, purchased 100% of the common stock of Pathology Associates International Corporation ("PAI"). Consideration, including acquisition expenses, of \$35,238 was paid with respect to this acquisition, consisting of \$25,557 of cash and a \$12,000 callable convertible note. The convertible note has a five year term and bears interest at 2% per annum. As the stated interest rate attached to this note is lower than the prevailing borrowing rate available to CRL, a discount of \$2,319, which is being amortized over the life of the note, was recorded upon issuance. Consideration of \$9,681 was recorded with respect to the convertible note. Under certain conditions, the note is convertible into shares of the Company's common stock at a price of \$23.38. During the second quarter of 2001, the Company repaid \$9,000, including issuance discounts of \$1,653, of the convertible note. The cash consideration was funded in part through a \$15,000 drawdown from CRL's revolving credit facility. This acquisition was recorded as a purchase business combination and CRL is consolidating the operations of PAI from the date of acquisition.

Effective February 27, 2001, CRL acquired Primedica Corporation ("Primedica") for consideration, including acquisition expenses, of \$51,107. Consideration was comprised of \$25,708 of cash, \$16,375 of the Company's common stock and \$9,024 in assumed debt. This acquisition was recorded as a purchase business combination and CRL is consolidating the operations of Primedica from the date of acquisition. In connection with the Primedica acquisition, CRL amended its senior credit facility to add a \$25,000 term loan C and to increase the interest rate on the term loan A.

On July 20, 2001, CRL purchased 100% of the common stock of Genetic Models, Inc. ("GMI") for cash consideration of \$4,000. This acquisition was recorded as a purchase business combination in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations." The Company is consolidating the operations of GMI from the date of acquisition.

The Company has finalized the purchase price allocation associated with the PAI, Primedica and GMI acquisitions. The allocation of purchase price for these acquisitions is as follows:

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Allocation of purchase price:

	<u>PAI</u>	<u>Primedica</u>	<u>GMI</u>
Net current assets	\$ 3,126	\$ 4,303	\$ 635
Property, plant and equipment	1,276	24,594	215
Non-current assets	159	35	
Net current liabilities			(244)
Non-current liabilities		(859)	(44)
	<u>4,561</u>	<u>28,073</u>	<u>562</u>
Estimated fair value, net assets acquired	4,561	28,073	562
Goodwill and other intangibles	30,677	23,034	3,438
	<u>35,238</u>	<u>51,107</u>	<u>4,000</u>
Consideration	35,238	51,107	4,000
Less: assumed debt		(9,024)	
	<u>\$ 35,238</u>	<u>\$ 42,083</u>	<u>\$ 4,000</u>

Goodwill and other intangibles:

	<u>PAI</u>	<u>Primedica</u>	<u>GMI</u>
Workforce	\$ 2,970	\$ 15,000	\$
Trade names and trademarks	2,000	1,000	
Customer contracts	2,550		
Standard operating procedures	140	870	
Research models			3,438
Other identifiable intangibles		599	
Goodwill	23,017	5,565	
	<u>30,677</u>	<u>23,034</u>	<u>3,438</u>
Total goodwill and other intangibles	\$ 30,677	\$ 23,034	\$ 3,438

Net current assets in the above Primedica purchase price allocation includes a \$530 severance liability recorded in accordance with EITF 95-3 "Recognition of Liabilities in Connection with a Purchase Business Combination" ("EITF 95-3"). This liability relates to severance benefits to be provided to certain Primedica employees. Approximately \$379 of these severance benefits were paid during 2001. The remaining payments will be made by the end of fiscal 2002.

Goodwill and other intangible assets recorded in the consolidated financial statements associated with the PAI and Primedica acquisitions are being amortized over their estimated useful lives ranging from 2 to 20 years. Intangible assets associated with the GMI acquisition are accounted for in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible

Assets." The value attributed to research models is considered to have an indefinite useful life and is not amortized.

On February 28, 2000, the Company acquired an additional 16% of the equity (340,840 common shares) of its 50% equity joint venture company, Charles River Japan, from Ajinomoto Co., Inc. The purchase price for the equity was 1.4 billion yen, or \$12,844. One billion yen, or \$9,174, was paid at closing, and the balance of 400 million yen, or \$3,670, was deferred pursuant to a three year balloon promissory note secured by a pledge of the additional 16% of shares acquired. Effective with the acquisition of this additional interest, the Company has control of, and is consolidating, the operations of Charles River Japan. The estimated fair value of the incremental net assets acquired is \$6,207. Goodwill of \$6,637 has been recorded in the accompanying consolidated financial statements and is being amortized over its estimated useful life of 15 years.

On September 29, 1999, Charles River Laboratories, Inc. acquired 100% of the outstanding stock of SBI Holdings, Inc. ("Sierra"), a pre-clinical biomedical services company, for \$23,343 in cash, of which \$6,000 was used to repay existing debt. The estimated fair value of assets acquired and liabilities assumed relating to the Sierra acquisition are summarized below:

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Allocation of purchase price:

Net current assets (including cash of \$292)	\$ 1,807
Property, plant and equipment	5,198
Other non-current assets	254
	<hr/>
Estimated fair value of assets acquired	7,259
Goodwill and other intangibles	16,535
	<hr/>
Estimated fair value	23,794
Less long-term liabilities assumed	(451)
	<hr/>
	\$ 23,343
	<hr/>

Goodwill and other intangibles:

Customer list	\$ 11,491
Work force	2,941
Other identifiable intangibles	1,251
Goodwill	852
	<hr/>
Total goodwill and other intangibles	\$ 16,535
	<hr/>

Goodwill and other intangibles related to the Sierra acquisition are being amortized on a straight-line basis over their established useful lives, which range from 5 to 15 years. As the transaction was effected through the acquisition of the stock of Sierra, the historical tax basis of Sierra continues and a deferred tax liability and offsetting goodwill of \$4,374 were recorded.

In conjunction with the Sierra acquisition, the Company paid \$2,000 additional contingent consideration as Sierra achieved specified financial targets in fiscal 2000. This additional consideration

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was recorded as additional goodwill in the year ended December 30, 2000. Also, the Company has agreed to pay up to \$10,000 in performance-based bonuses to employees if specified financial objectives are reached over the five years following the acquisition of Sierra. At the time these contingencies become probable, the bonuses, if any, are recorded as compensation expense. In addition, the Company entered into employment agreements with certain key scientific and management personnel of Sierra that contain retention and non-competition payments totaling \$3,000 to be paid upon their continuing employment with the Company at December 31, 1999 and June 30, 2001. The Company recorded compensation expense of \$602, \$963 and \$1,435 in 2001, 2000 and 1999, respectively.

In addition, during 2001 and 1999 the Company made contingent payments of \$250 and \$841, respectively, relating to a previous acquisition.

The following selected unaudited pro forma consolidated results of operations are presented as if each of the acquisitions had occurred as of the beginning of the period immediately preceding the period of acquisition after giving effect to certain adjustments for the amortization of goodwill and related income tax effects. The pro forma data is for informational purposes only and does not necessarily reflect the results of operations had the companies operated as one during the period. No effect has been given for synergies, if any, that may have been realized through the acquisitions.

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
	<hr/>	<hr/>	<hr/>
Net sales	\$ 479,812	\$ 419,037	\$ 247,447

	Fiscal Year Ended		
Operating income	90,781	69,072	43,852
Income before extraordinary item	40,738	16,916	19,652
Net income (loss)	35,495	(12,185)	19,652
Earnings per common share before extraordinary item			
Basic	\$0.99	\$0.61	\$0.99
Diluted	\$0.92	\$0.53	\$0.99
Earnings (loss) per common share after extraordinary item			
Basic	\$0.87	\$(0.44)	\$0.99
Diluted	\$0.80	\$(0.38)	\$0.99

Refer to Note 5 for further discussion of the method of computation of earnings per share.

The Company had the following disposals:

During the fourth quarter of 2001, the Company recorded a pre-tax restructuring charge of \$1,788, including asset disposals of \$1,041, employee separation of \$477 and other charges of \$270. The consolidation of the Company's service capabilities resulted in this charge associated with the closing of the San Diego, California facility. Approximately 40 employees were terminated as a result of this action. As of December 29, 2001, \$720 of this charge is included in the consolidated balance sheet as an accrued liability. The Company expects the reserve to be fully utilized by the end of 2002.

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A summary of the activities associated with the San Diego restructuring charge is as follows:

	Employee Separations	Other	Total
2001 charges excluding asset disposals	\$ 477	\$ 270	\$ 747
Amounts paid	27		27
December 29, 2001	\$ 450	\$ 270	\$ 720

During the fourth quarter of 2000, the Company recorded a pre-tax restructuring charge of \$1,290, including asset disposals of \$212, associated with the closing of a facility in France. During 2001, the Company recorded additional charges of \$1,915, which includes a writedown of assets held for sale of \$400 and additional severance payments and other related expenses of \$1,515 relating to the settlement of labor disputes which originated during the first quarter of 2001. These charges have been recorded in selling, general and administrative expenses in the accompanying consolidated statements of income, and are expected to be paid during fiscal 2002. The overall purpose of the restructuring charges was to reduce costs and improve profitability by closing excess capacity. Approximately 60 employees were terminated as a result of this restructuring.

A summary of the activities associated with the France restructuring charge is as follows:

	Employee Separations	Other	Total
December 30, 2000	\$ 993	\$ 85	\$ 1,078
Additional charges recorded excluding asset disposals	1,351	164	1,515
Amounts paid	(1,444)	(180)	(1,624)
December 29, 2001	\$ 900	\$ 69	\$ 969

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As of December 29, 2001 and December 30, 2000, \$969 and \$1,078, respectively, was unpaid and included in the consolidated balance sheet as an accrued liability.

On March 10, 2000, the Company announced the closure of its Shamrock primate import and conditioning business in Small Dole, England. This closure was completed during the second quarter of 2000. A charge of \$751 related to the closure was recorded in selling, general and administrative expenses in the first quarter of 2000. This reserve was fully utilized in the second quarter of 2000.

During January 2000, the Company sold a product line within its research model business segment. The selling price of \$7,000 approximated the net book value of the underlying assets at the time of the sale. In addition, the Company had approximately \$900 of deferred revenue which was related to cash payments received in advance of delivery of the research models. Under the terms of the sale agreement, the Company was no longer obligated to ship the research models and, accordingly, recorded this amount as income in the first quarter of 2000. Fiscal 1999 sales associated with this product line approximated \$2,800.

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5. Earnings Per Share

As more fully described in Note 3 pursuant to the recapitalization agreement effective September 29, 1999, all of the assets, liabilities, operations and cash flows relating to Charles River Laboratories, Inc., were contributed to an existing dormant subsidiary which was subsequently renamed Charles River Laboratories, Inc. Under the terms of the recapitalization, Charles River Laboratories, Inc., became a wholly owned subsidiary of Charles River Laboratories International, Inc. The capital structure in place for periods prior to September 29, 1999 was significantly different than the capital structure of the Company after the recapitalization. The consolidated statement of income for the year ended December 25, 1999 also includes operations of certain B&L entities which were not historically supported by the combined capital structure of Charles River Laboratories International, Inc. and Charles River Laboratories, Inc. As a result, the presentation of historical earnings per share data determined using the combined historical capital structure for the year ended December 25, 1999 would not be meaningful and has not been included in these consolidated financial statements. Rather, earnings per share for the year ended December 25, 1999 has been computed assuming that the shares outstanding after the recapitalization had been outstanding for this period.

Based upon the amounts invested, shares of Charles River Laboratories International, Inc.'s common stock outstanding at the date of the recapitalization totaled 19,820,369. Basic earnings per share for the year ended December 25, 1999 was computed by dividing earnings available to common shareholders for this period by the weighted average number of common shares outstanding in the period subsequent to the recapitalization. Basic earnings per share for the years ended December 29, 2001 and December 30, 2000 was computed by dividing earnings available to common shareholders for these periods by the weighted average number of common shares outstanding in the respective periods.

For purposes of calculating diluted earnings per share for the year ended December 25, 1999, the weighted average number of common shares used in the basic earnings per share computation described above has not been adjusted to include common stock equivalents, as these common stock equivalents were issued in connection with the recapitalization financing and are not assumed to be outstanding for purposes of computing earnings per share in this period. The weighted average number of common shares outstanding for the years ended December 29, 2001 and December 30, 2000 have been adjusted to include common stock equivalents for the purpose of calculating diluted earnings per share before and after the extraordinary item for these periods.

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The following table illustrates the reconciliation of the numerator and denominator in the computations of the basic and diluted earnings per share before and after the extraordinary item:

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Numerator:			
Income before extraordinary item	\$ 40,650	\$ 17,877	\$ 17,124
Extraordinary loss, net of tax benefit	(5,243)	(29,101)	

	Fiscal Year Ended		
Income (loss) after extraordinary item for purposes of calculating basic earnings (loss) per share	35,407	(11,224)	17,124
After-tax equivalent of interest expense on 2% convertible note	91		
Income (loss) for purposes of calculating diluted earnings per share	\$ 35,498	\$ (11,224)	\$ 17,124
Denominator:			
Weighted average shares outstanding Basic	40,998,558	27,737,677	19,820,369
Effect of dilutive securities			
Stock options	1,125,034	1,336,965	
Warrants	1,963,476	2,659,712	
2% convertible debt	128,315		
Weighted average shares outstanding Diluted	44,215,383	31,734,354	19,820,369
Basic earnings per share before extraordinary item	\$ 0.99	\$ 0.64	\$ 0.86
Diluted earnings per share before extraordinary item	\$ 0.92	\$ 0.56	\$ 0.86
Basic (loss) per share on extraordinary item	\$ (0.13)	\$ (1.04)	\$
Diluted (loss) per share on extraordinary item	\$ (0.12)	\$ (0.91)	\$
Basic earnings (loss) per share after extraordinary item	\$ 0.86	\$ (0.40)	\$ 0.86
Diluted earnings (loss) per share after extraordinary item	\$ 0.80	\$ (0.35)	\$ 0.86

For the year ended December 30, 2000, in the computation of the diluted loss per share on the extraordinary loss and net loss, the common stock equivalents have an antidilutive effect. They have

been included in the computation as they are dilutive with respect to income from continuing operations.

6. Shareholders' Equity

As more fully described in Note 1, the capital structure of the Company is presented on a consolidated basis at December 29, 2001 and December 30, 2000. Capital stock information at each date is as follows:

December 29, 2001

Common stock \$0.01 par value, 120,000,000 shares authorized, 44,189,650 shares issued and outstanding	\$ 442
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The Company has 20,000,000 shares of \$0.01 par value preferred stock authorized. At December 29, 2001 no shares were issued and outstanding.

December 30, 2000

Common stock \$0.01 par value, 120,000,000 shares authorized, 35,920,369 shares issued and outstanding \$ 359

The Company has 20,000,000 shares of \$0.01 par value preferred stock authorized. At December 30, 2000 no shares were issued and outstanding.

The composition of accumulated other comprehensive income is as follows:

	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income
Balance at December 25, 1999	\$ (7,547)	\$ (1,266)	\$ (8,813)
Period change	(5,299)	(1,310)	(6,609)
Tax benefit	2,741	277	3,018
Balance at December 30, 2000	(10,105)	(2,299)	(12,404)
Period change	(4,007)	(459)	(4,466)
Tax benefit	457	397	854
Balance at December 29, 2001	\$ (13,655)	\$ (2,361)	\$ (16,016)

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7. Supplemental Balance Sheet Information

The composition of inventories is as follows:

	December 29, 2001	December 30, 2000
Raw materials and supplies	\$ 5,225	\$ 4,052
Work in process	2,484	910
Finished products	31,347	29,548
Inventories	\$ 39,056	\$ 34,510

The composition of property, plant and equipment is as follows:

	December 29, 2001	December 30, 2000
Land	\$ 9,626	\$ 9,367
Buildings	148,372	142,569
Machinery and equipment	121,473	95,407
Leasehold improvements	9,380	5,747
Furniture and fixtures	2,576	1,992

	December 29, 2001	December 30, 2000
Vehicles	2,351	2,378
Construction in progress	19,443	5,102
	313,221	262,562
Less accumulated depreciation	(157,302)	(145,561)
Net property, plant and equipment	\$ 155,919	\$ 117,001

Depreciation expense for 2001, 2000, and 1999 was \$18,522, \$13,099, and \$10,062, respectively.

8. Leases

Capital Leases

The Company has one capital lease for a building and numerous capital leases for equipment. These leases are capitalized using interest rates considered appropriate at the inception of each lease. Assets under capital lease are not significant.

Capital lease obligations amounted to \$535 and \$724 at December 29, 2001 and December 30, 2000, respectively, with maturities through 2003 at interest rates ranging from 8.8% to 12.6%. Future minimum lease payments under capital lease obligations at December 29, 2001 are as follows:

2002	\$ 276
2003	434
	<u>710</u>
Total minimum lease payments	710
Less amount representing interest	(175)
	<u>535</u>
Present value of net minimum lease payments	\$ 535

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8. Leases (Continued)

Operating Leases

The Company has various operating leases for machinery and equipment, automobiles, office equipment, land and office space. Rent expense for all operating leases was \$10,045 in 2001, \$5,926 in 2000, and \$4,453 in 1999. Future minimum payments by year and in the aggregate, under noncancellable operating leases with initial or remaining terms of one year or more, consist of the following at December 29, 2001:

2002	\$ 9,683
2003	8,162
2004	7,098
2005	4,473
2006	3,175
Thereafter	8,249
	<u>40,840</u>

9. Income Taxes

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Prior to September 29, 1999, the Company was not a separate taxable entity for federal and state income tax purposes and its income for these periods was included in the consolidated B&L income tax returns. The Company accounted for income taxes for these periods under the separate return method in accordance with FAS 109. Under the terms of the recapitalization agreement, B&L has assumed all income tax consequences associated with the periods through September 29, 1999. Accordingly, all current and deferred income tax balances reflected in the Company's consolidated financial statements on the effective date of the recapitalization will ultimately be settled by B&L. As a result, the domestic income tax attributes have been included in the net activity with B&L and have been charged off against retained earnings. Foreign subsidiaries are responsible for remitting taxes in their local jurisdictions.

In addition, in connection with the recapitalization transaction, the Company elected under Internal Revenue Code Section 338(h)(10) to treat the transaction as a purchase resulting in a step-up in the tax basis of the underlying assets. The election resulted in the recording of a deferred tax asset in 1999, net of valuation allowance, of approximately \$99,506 for the estimated future tax benefits associated with the increased tax basis of the assets. The Company expects to realize the net benefit of the deferred tax asset over a 15 year period. For financial reporting purposes, the benefit was treated as a contribution to capital in 1999.

During the second quarter of 2000, the tax purchase price allocation pertaining to the Section 338(h)(10) election described above was finalized. An adjustment was recorded to reduce the net deferred tax asset balance by \$5,395 and the related valuation allowance by \$858, with the offset of \$4,537 being recorded to capital in excess of par in the second quarter of 2000.

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An analysis of the components of income before income taxes and minority interests and the related provision for income taxes is presented below:

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Income before income taxes, minority interests, earnings from equity investments and extraordinary item			
U.S.	\$ 51,772	\$ 14,407	\$ 14,608
Non-U.S.	17,707	11,678	16,055
	\$ 69,479	\$ 26,085	\$ 30,663
Income tax provision			
Current:			
Federal	\$ 762	\$	\$ 9,522
Foreign	7,747	5,646	6,035
State and local	1,396		1,895
	9,905	5,646	17,452
Deferred:			
Federal	16,523	6,688	(2,000)
Foreign	(1,098)	(447)	53
State and local	1,765	(4,050)	56
	17,190	2,191	(1,891)

Fiscal Year Ended		
\$	27,095	\$ 7,837
		\$ 15,561

The Company recorded an extraordinary loss before tax benefit of \$8,066 in connection with the early repayment of debt in 2001 (Note 2). The tax benefit associated with the loss was \$2,823. During the third quarter of 2000, the Company recorded an extraordinary loss before tax benefit of \$44,771 in connection with the early extinguishment of debt upon the consummation of the IPO (Note 2). The tax benefit associated with this loss was \$15,670.

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Net deferred taxes, detailed below, recognize the impact of temporary differences between the amounts of assets and liabilities recorded for financial statement purposes and such amounts measured in accordance with tax laws.

	December 29, 2001	December 30, 2000
Current:		
Accruals	\$ 1,161	\$ 2,055
Net operating loss	7,540	
	8,701	2,055
Non-current:		
Goodwill and other intangibles	82,671	88,531
Net operating loss and credit carryforwards	7,030	22,756
Depreciation and amortization	330	(626)
Other	2,274	1,827
	92,305	112,488
Valuation allowance	(4,524)	(4,524)
	87,781	107,964
Total deferred taxes	\$ 96,482	\$ 110,019

As of December 29, 2001, the Company has pre-tax net operating loss carryforwards for federal and state income tax purposes of approximately \$25,099 expiring between 2004 and 2020. Additionally, the Company has foreign tax credit carryforwards of \$4,100 expiring in 2005. As a result of the IPO, the Company expects to be significantly more profitable in the future, due to reduced interest costs. Accordingly, during the second quarter of 2000, the Company reassessed the need for a valuation allowance relating to state income taxes associated with the deferred tax asset balance recorded on the recapitalization transaction discussed above. As a result of the reassessments, the valuation allowance was reduced by \$4,762 in the second quarter of 2000, and this was recorded as a tax benefit.

This release of the valuation allowance was offset by an increase of \$3,007, pertaining mainly to realization of state income taxes associated with the extraordinary loss recorded in the third quarter of 2000. The Company has recorded the balance of the net deferred tax asset on the belief that it is more likely than not that it will be realized. This belief is based upon a review of all available evidence, including historical operating results, projections of taxable income, and tax planning strategies.

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Reconciliations of the statutory U.S. federal income tax rate to effective tax rates are as follows:

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Tax at statutory U.S. tax rate	35.0%	35.0%	35.0%
Foreign tax rate differences	2.2	3.8	7.4
Non-deductible goodwill amortization	0.6	1.5	0.5
State income taxes, net of federal tax benefit	2.4	2.3	3.6
Change in valuation allowance before extraordinary item		(16.1)	2.4
High yield debt interest		2.4	0.1
Other	(1.2)	1.1	1.7
	39.0%	30.0%	50.7%

During the year ended December 25, 1999, substantially all of the accumulated earnings of the Company's foreign subsidiaries through September 29, 1999 were repatriated to the United States to B&L in connection with the recapitalization transaction. Accordingly, a provision for U.S. federal and state income taxes, net of foreign tax credits, has been provided on such earnings in the year ended December 25, 1999. In addition, for periods subsequent to September 29, 1999, the Company elected to treat certain foreign subsidiaries in Germany and the United Kingdom as disregarded entities for U.S. federal and state income tax purpose and, accordingly, is providing for U.S. federal and state income taxes on such earnings. The Company's other foreign subsidiaries have accumulated earnings subsequent to September 29, 1999. These earnings are considered to be indefinitely reinvested and, accordingly, no provision for U.S. income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. taxes and withholdings taxes payable to the various foreign countries.

10. Employee Benefits

The Company sponsors one defined contribution plan and three defined benefit plans. The Company's defined contribution plan, the Charles River Laboratories Employee Savings Plan, qualifies under section 401(k) of the Internal Revenue Code. It covers substantially all U.S. employees and contains a provision whereby the Company matches employee contributions. The costs associated with the defined contribution plan totaled \$1,400, \$716 and \$588 in 2001, 2000, and 1999, respectively.

One of the Company's defined benefit plans, the Charles River Laboratories, Inc. Pension Plan, is a qualified, non-contributory plan that covers certain U.S. employees. Benefits are based on participants' final average monthly compensation and years of service. Participants' rights vest upon completion of five years of service. The Charles River Japan defined benefit pension plan is a non-contributory plan that covers all employees of Charles River Japan. Benefits are based upon length of service and final salary.

Under another defined benefit plan, the Company provides some executives with supplemental retirement benefits. This plan, the Executive Supplemental Life Insurance Retirement Plan or ESLIRP,

is generally unfunded and non-qualified under the provisions of the Employee Retirement Income Securities Act of 1974. The Company has, however, taken out several key person life insurance policies with the intention of using its cash surrender value to fund the ESLIRP Plan. At December 29, 2001 and December 30, 2000, the cash surrender value of these policies was \$7,985 and \$8,595, respectively.

The following table provides reconciliations of the changes in benefit obligations, fair value of plan assets and funded status of the three defined benefit plans.

Fiscal Year

	<u>2001</u>	<u>2000</u>
Reconciliation of benefit obligation		
Benefit obligation at beginning of year	\$ 36,498	\$ 31,045
Service cost	1,874	1,386
Interest cost	2,180	2,040
Benefit payments	(1,089)	(958)
Actuarial loss	394	3,060
Effect of foreign exchange	(216)	(75)
	<u> </u>	<u> </u>
Benefit obligation at end of year	\$ 39,641	\$ 36,498
	<u> </u>	<u> </u>
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	\$ 47,487	\$ 53,600
Actual return on plan assets	(9,472)	(5,820)
Employer contributions	779	665
Benefit payments	(1,089)	(958)
	<u> </u>	<u> </u>
Fair value of plan assets at end of year	\$ 37,705	\$ 47,487
	<u> </u>	<u> </u>
Funded status		
Funded status	\$ (1,936)	\$ 10,989
Unrecognized transition obligation	173	336
Unrecognized prior-service cost	(23)	(29)
Unrecognized gain (loss)	1,691	(12,970)
	<u> </u>	<u> </u>
Accrued benefit cost	\$ (95)	\$ (1,674)
	<u> </u>	<u> </u>
Amounts recognized in the consolidated balance sheet		
Accrued benefit cost	\$ (4,071)	\$ (5,237)
Intangible asset	97	143
Accumulated other comprehensive income	3,879	3,420
	<u> </u>	<u> </u>
Net amount recognized	\$ (95)	\$ (1,674)
	<u> </u>	<u> </u>

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Key weighted-average assumptions used in the measurement of the Company's benefit obligations are shown in the following table:

	Fiscal Year Ended		
	<u>December 29, 2001</u>	<u>December 30, 2000</u>	<u>December 25, 1999</u>
Discount rate	6.5%	6.5%	7%
Expected return on plan assets	9.5%	10%	10%

Fiscal Year Ended

Rate of compensation increase	4.75%	4.75%	4.75%
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The following table provides the components of net periodic benefit cost for the three defined benefit plans for 2001, 2000 and 1999:

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Components of net periodic benefit cost (income):			
Service cost	\$ 1,874	\$ 1,386	\$ 958
Interest cost	2,180	2,040	1,738
Expected return on plan assets	(4,295)	(5,132)	(2,623)
Amortization of transition obligation	85	154	141
Amortization of prior-service cost	(5)	(5)	(4)
Amortization of net gain	(934)	(1,625)	(301)
Net periodic benefit cost (income)	\$ (1,095)	\$ (3,182)	\$ (91)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$15,955, \$14,665, and \$2,279 at December 29, 2001 and \$14,493, \$12,312 and \$2,780 as of December 30, 2000.

The Company had an adjusted minimum pension liability of \$3,879 (\$2,361, net of tax) and \$3,420 (\$2,299 net of tax) as of December 29, 2001 and December 30, 2000, respectively, which represented the excess of the minimum accumulated net benefit obligation over previously recorded pension liabilities.

11. Stock Compensation Plans

As part of the recapitalization, the equity investors in the recapitalization transaction agreed and committed to establish a stock option plan for the Company, for the purpose of providing significant equity incentives to management. The 1999 Management Incentive Plan (the "1999 Plan") is administered by the Company's Compensation Committee of the Board of Directors. A total of 1,784,384 shares were reserved for the exercise of option grants under the 1999 Plan. Awards of 1,726,332 non-qualified stock options, of which 1,377,198 are currently exercisable, were awarded in the year ended December 25, 1999. Options to purchase shares of Charles River Laboratories International, Inc.'s common stock granted pursuant to the 1999 Plan are subject to a vesting schedule

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based on three distinct measures. Certain options vest solely with the passage of time (incrementally over five years so long as the optionee continues to be employed by the Company). The remainder of the options vest over time but contain clauses providing for the acceleration of vesting upon the achievement of certain performance targets or the occurrence of certain liquidity events. All options expire on September 29, 2009. The exercise price of all of the options initially granted under the 1999 Plan is \$5.33, the fair value of the underlying common stock at the time of the grant.

Effective June 5, 2000 the Board of Directors adopted and the Company's shareholders approved the 2000 Incentive Plan (the "2000 Plan"), which provides for the grant of incentive and nonstatutory stock options, stock appreciation rights, restricted or unrestricted common stock and other equity awards. The 2000 Plan has a total of 3,789,000 shares authorized, of which 2,611,812 are available for grant. Options to purchase shares of Charles River Laboratories International, Inc.'s common stock granted pursuant to the 2000 Plan vest incrementally over three years so long as the employee continues to be employed by the Company. All options granted expire on or before December 31, 2011. The exercise price of all the options granted under the 2000 Plan is the fair value of the underlying common stock at the time of grant. A total of 741,900 stock option awards were made under the 2000 Plan in 2001. 119,077 stock option awards granted under the 2000 Plan are currently exercisable. During 2001, the Company also granted 11,500 shares of restricted stock to certain employees at a discount of 100% under the 2000 Plan. The awards vest ratably over a three year period. The discount associated with the award is recorded as unearned compensation in the consolidated balance sheet and is amortized as compensation expense on a straight-line basis over the awards vesting term. Compensation expense for 2001

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was \$52. As of December 29, 2001 all awards granted are outstanding and no awards are exercisable.

In conjunction with the 2000 Plan, the Board of Directors adopted and the Company's shareholders approved the 2000 Directors Stock Plan ("Directors Plan"), which provides for the grant of both automatic and discretionary nonstatutory stock options to our non-employee directors. Pursuant to the plan, each independent director will be automatically granted an option to purchase 20,000 shares of the Company's common stock on the date he or she is first elected or named a director. On the day of each annual meeting of stockholders, each independent director who served during the prior year will be awarded an option to purchase 4,000 shares of the Company's common stock (pro-rated if the director did not serve for the entire preceding year). The Directors Plan has a total of 28,000 shares available to be granted as of December 29, 2001. Awards of 12,000 stock options were granted under the Directors Plan in 2001. There are currently 60,000 options exercisable under the Directors Plan. Options to purchase shares of Charles River Laboratories International, Inc. granted pursuant the Directors Plan cliff vest upon the earlier of the first anniversary of the date of grant or the business day prior to the date of the Company's next annual meeting. All options granted expire on or before May 7, 2006. The exercise price of the options granted under the Directors Plan is the fair value of the underlying common stock at the time of grant.

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The following table summarizes stock option activity under the 1999 Plan, the 2000 Plan, and the Directors Plan:

	Shares	Exercise Price		Weighted Average Exercise Price
Options outstanding as of December 26, 1998	0	\$	\$	
Options granted	0	\$	\$	
Options exercised	1,726,332	\$ 5.33	\$	5.33
Options canceled	0	\$	\$	
Options outstanding as of December 25, 1999	1,726,332	\$ 5.33	\$	5.33
Options granted	536,300	\$16.00	\$27.38	16.60
Options exercised	0	\$	\$	
Options canceled	(16,500)	\$16.00	\$	16.00
Options outstanding as of December 30, 2000	2,246,132	\$ 5.33	\$27.38	7.94
Options granted	753,900	\$25.00	\$35.08	31.38
Options exercised	(207,507)	\$ 5.33	\$16.00	6.66
Options canceled	(43,377)	\$ 5.33	\$31.97	21.41
Options outstanding as of December 29, 2001	2,749,148	\$ 5.33	\$35.08	14.38
Options exercisable as of December 29, 2001	1,556,275	\$ 5.33	\$27.38	6.59

OPTIONS OUTSTANDING

Range of Exercise Prices	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	Outstanding as of December 29, 2001	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable as of December 29, 2001	Weighted Average Exercise Price
\$ 5.00 \$10.00	1,537,305	7.8	\$ 5.33	1,377,198	\$ 5.33
\$10.01 \$20.00	451,068	7.7	\$ 16.00	174,294	\$ 16.00
\$20.01 \$30.00	47,625	7.8	\$ 27.12	4,783	\$ 27.38
\$30.01 \$40.00	713,150	9.5	\$ 32.03		\$
	2,749,148		\$ 14.38	1,556,275	\$ 6.59

OPTIONS OUTSTANDING

The Company accounts for stock-based compensation plans under the provisions of APB 25. Because the exercise price of the employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income is required by FAS 123, which also requires that the information be determined as if the Company has accounted for its employee stock options under the fair value method of that Statement.

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11. Stock Compensation Plans (Continued)

For purposes of this disclosure, the fair value of the fixed option grants were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for option grants:

Risk-free interest rate	4.85%
Volatility factor	56.14%
Weighted average expected life (years)	6

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially effect the fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Had compensation expense for the Company's option grants been determined consistent with the provision of FAS 123, the Company's net income (loss) for the years ended December 29, 2001, December 30, 2000 and December 25, 1999 would have been reduced to the pro forma amounts indicated below:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Reported net income (loss)	\$ 35,407	\$ (11,224)	\$ 17,124
Pro forma net income (loss)	\$ 33,816	\$ (11,948)	\$ 17,030
Reported diluted earnings (loss) per share	\$ 0.80	\$ (0.35)	\$ 0.86
Pro forma diluted earnings (loss) per common share	\$ 0.77	\$ (0.38)	\$ 0.86

Until September 29, 1999, employees of the Company participated in a stock option plan sponsored by B&L. As a result of the recapitalization transaction described in Note 2, employees participating in the B&L Stock Option Plan exercised all vested options and were compensated for all unvested options. The Company recorded compensation expense of \$1,300 in the fourth quarter of 1999 based upon the amount that B&L compensated these employees. The Company received a capital contribution by B&L for this amount during the fourth quarter of 1999, which has been recorded as part of the net activity with B&L. As management's participation in the B&L plan was discontinued in 1999, the Company has established its own plan based on current facts and circumstances, the historical FAS 123 disclosures relating to the B&L plan are not considered relevant.

12. Joint Ventures

The Company holds investments in several joint ventures. These joint ventures are separate legal entities whose purpose is consistent with the overall operations of the Company and represent geographical expansions of existing markets. The financial results of two of the joint ventures are consolidated into the Company's results as the Company has the ability to exercise control over these entities. On February 28, 2000, the Company acquired an additional equity interest in Charles River Japan (Note 4). Upon consummation of the additional equity investment, the Company had control

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and began consolidating the operations of Charles River Japan. The interests of the outside joint venture partners in these joint ventures have been recorded as minority interests totaling \$12,988 at December 29, 2001 and \$13,330 at December 30, 2000.

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Prior to the additional equity investment on February 28, 2000, Charles River Japan was accounted for under the equity method. Charles River Japan is a joint venture with Ajinomoto Co., Inc. and is an extension of the Company's research model business in Japan. Dividends received from Charles River Japan prior to the additional equity investment amounted to \$815 in 1999 and \$0 in 2000. The Company also has another joint venture, Charles River Mexico, which is accounted for under the equity method. Charles River Mexico, an extension of the Company's avian (or bird) business in Mexico, is not significant to the Company's operations.

Summarized financial statement information for the unconsolidated joint ventures is as follows:

Note that the condensed income statement information for the year ended December 30, 2000 includes only two months of Charles River Japan activity and the balance sheet as of December 30, 2000 excludes Charles River Japan.

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Condensed Combined Statements of Income			
Net sales	\$ 7,697	\$ 13,541	\$ 44,826
Operating income	943	2,922	7,658
Net income	1,005	2,132	4,221
	December 29, 2001	December 30, 2000	
Condensed Combined Balance Sheets			
Current assets	\$ 2,100	\$ 1,180	
Non-current assets	3,309	2,932	
	\$ 5,409	\$ 4,112	
Current liabilities	\$ 434	\$ 333	
Non-current liabilities	44	42	
Shareholders' equity	4,931	3,737	
	\$ 5,409	\$ 4,112	

13. Commitments and Contingencies

Insurance

The Company maintains insurance for workers' compensation, auto liability, employee medical and general liability. The per claim loss limits are \$250, with annual aggregate loss limits of \$1,500. Related accruals were \$3,668 and \$3,461 on December 29, 2001 and December 30, 2000, respectively.

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Separately, the Company has provided a letter of credit in favor of the insurance carriers in the amount of \$2,463.

Litigation

Various lawsuits, claims and proceedings of a nature considered normal to its business are pending against the Company. In the opinion of management, the outcome of such proceedings and litigation currently pending will not materially affect the Company's consolidated financial statements.

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On April 27, 2001, the Company's French subsidiaries obtained a favorable legal judgement in a contract dispute, with a damages award of 26,500 French Francs, approximately \$3,500. The Company has received a \$2,240 partial payment related to the legal judgement in fiscal 2001. As the defendant has appealed the decision, the proceeds have been recorded as deferred income in the consolidated balance sheet as of December 29, 2001.

14. Related Party Transactions

As more fully described in Note 3, the Company completed a recapitalization in September 1999 and became a stand-alone entity. Until the recapitalization, the Company historically had operated autonomously from B&L. Some costs and expenses, including insurance, information technology and other miscellaneous expenses, were charged by B&L to the Company on a direct basis. Management believes these charges were based upon assumptions that were reasonable under the circumstances. These charges and estimates are not necessarily indicative of the costs and expenses which would have resulted had the Company incurred these costs as a separate entity. Charges of approximately \$88 for these items are included in costs of products sold and services rendered and selling, general and administrative expenses in the accompanying consolidated financial statements for the nine months ended 1999. The Company does not expect its stand-alone costs to be significantly different from the historical costs allocated by B&L due to the autonomy with which the Company operated.

As more fully described in Note 3, the accompanying consolidated financial statements include a line item "net activity with Bausch and Lomb" which comprises the above referenced intercompany allocations, net distributions made by the Company to B&L, and settlements with B&L as a result of the recapitalization.

On October 11, 1999, the Company loaned to certain officers \$920 to purchase stock in Charles River Laboratories International, Inc. through CRL Acquisition LLC. These loans are full recourse and bear interest at a rate of 5.05%. The underlying stock is pledged as collateral for the loans. The balance as of December 29, 2001 and December 30, 2000 was \$341 and \$920, respectively, and is classified as a reduction from shareholders' equity.

As more fully described in Note 4, Ajinomoto Co., Inc. ("Ajinomoto") is a minority shareholder in Charles River Japan. Charles River Japan conducts certain business transactions with Ajinomoto, including the purchase of information technology systems and services, engineering services, product delivery services and the reimbursement of employee compensation. Charles River Japan incurred expenses related to these services of \$5,459 and \$5,575 during 2001 and 2000, respectively. As of December 29, 2001 and December 30, 2000, Charles River Japan had amounts due to Ajinomoto totaling \$2,032 and \$1,534, respectively. In addition, Charles River Japan sold products totaling \$876

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and \$883 during 2001 and 2000, respectively. As of December 29, 2001 and December 30, 2000, Charles River Japan had amounts due from Ajinomoto totaling \$338 and \$249, respectively.

15. Geographic and Business Segment Information

The Company is organized into geographic regions for management reporting with operating income being the primary measure of regional profitability. Some general and administrative expenses, including some centralized services provided by regional offices, are allocated based on business segment sales. The accounting policies used to generate geographic results are the same as the Company's overall accounting policies.

The following table presents sales and other financial information by geography for 2001, 2000 and 1999. Included in the other non-U.S. category below are the Company's operations located in Canada, China, Germany, Italy, Netherlands, United Kingdom, Australia, Belgium, Czech Republic, Hungary, Spain and Sweden. Sales to unaffiliated customers represent net sales originating in entities physically located in the identified geographic area. Long-lived assets include property, plant and equipment, goodwill and intangibles, other investments and other assets.

	U.S.	France	Japan	Other Non U.S.	Consolidated
2001					
Sales to unaffiliated customers	\$ 338,648	\$ 31,427	\$ 44,751	\$ 50,804	\$ 465,630
Long-lived assets	211,340	10,589	35,029	16,469	273,427

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	U.S.	France	Japan	Other Non U.S.	Consolidated
2000					
Sales to unaffiliated customers	\$ 192,919	\$ 28,474	\$ 36,624	\$ 48,568	\$ 306,585
Long-lived assets	118,271	10,618	39,720	17,235	185,844
1999					
Sales to unaffiliated customers	\$ 144,617	\$ 30,523	N/A	\$ 56,273	\$ 231,413
Long-lived assets	103,261	12,234	N/A	20,191	135,686

The Company's product line segments are research models and biomedical products and services. The following table presents sales and other financial information by product line segment for 2001, 2000 and 1999. Net sales represent sales originating in entities primarily engaged in either provision of

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research models or biomedical products and services. Long-lived assets include property, plant and equipment, goodwill and intangibles, other investments, and other assets.

	2001	2000	1999
Research Models			
Net sales	\$ 197,494	\$ 177,950	\$ 143,098
Gross margin	80,060	70,641	52,267
Operating income	50,878	40,862	31,609
Total assets	335,580	316,700	269,230
Depreciation and amortization	9,978	9,840	8,008
Capital expenditures	10,419	7,502	6,983
Biomedical Products and Services			
Net sales	\$ 268,136	\$ 128,635	\$ 88,315
Gross margin	87,191	49,290	32,417
Operating income	46,643	26,308	16,482
Total assets	235,782	96,845	90,062
Depreciation and amortization	17,197	6,926	4,310
Capital expenditures	25,987	8,063	5,968

In the first quarter of 2001, management revised how it classifies certain European services within the existing business segments, which resulted in a reclassification of \$9,693 and \$9,396 of net sales from Research Models to Biomedical Products and Services for the years ended December 30, 2000 and December 25, 1999, respectively. Furthermore, these reclassifications resulted in operating income shifting from Research Models to Biomedical Products and Services for the years ended December 30, 2000 and December 25, 1999 by \$2,205 and \$2,054, respectively.

A reconciliation of segment operating income to consolidated operating income is as follows:

	Fiscal Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Total segment operating income	\$ 97,521	\$ 67,170	\$ 48,091
Unallocated corporate overhead	(7,238)	(2,109)	(5,128)

	Fiscal Year Ended		
Consolidated operating income	\$ 90,283	\$ 65,061	\$ 42,963

A summary of identifiable long-lived assets of each business segment at year end is as follows:

	December 29, 2001	December 30, 2000
Research Models	\$ 116,434	\$ 117,046
Biomedical Products and Services	156,993	68,798
	\$ 273,427	\$ 185,844

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16. Subsequent Events

As discussed in Note 3, on January 24, 2002, the Company issued \$175,000 par value of senior convertible debentures through a private placement offering. On February 11, 2002, the Company issued an additional \$10,000 par value of senior convertible debentures through the additional purchase option. The Company received approximately \$179,450, net of underwriter discounts. The senior convertible debentures will accrue interest at an initial annual rate of 3.5%, payable semi-annually in arrears, beginning August 1, 2002. The senior convertible debentures will mature in 2022 and are convertible into shares of the Company's common stock at a conversion price of \$38.87, subject to adjustment under certain circumstances. On or after February 5, 2005, the Company may redeem for cash all or part of the debentures that have not been previously converted at the redemption prices set forth in the purchase agreement. Holders may require the Company to repurchase for cash all or part of their debentures on February 1, 2008, February 1, 2013 or February 1, 2017 at a price equal to 100% of the principal amount of the debentures plus accrued interest up to but not including the date of repurchase. In addition, upon a change in control of the Company occurring on or prior to February 1, 2022, each holder may require the Company to repurchase all or a portion of such holder's debentures for cash. The Company used a portion of the net proceeds from the senior convertible debenture offering to retire all of the 13.5% senior subordinated notes through a tender offer.

On February 14, 2002, the Company completed a tender offer for \$79,728 par value of all of the 13.5% senior subordinated notes at a premium of approximately 29.5%. The repayment of the 13.5% senior subordinated notes and related extraordinary loss will be recorded in the first quarter of 2002.

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FINANCIAL STATEMENT SCHEDULES
CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
SCHEDULE I CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

CONDENSED PARENT COMPANY STATEMENT OF INCOME
(dollars in thousands)

	Fiscal Year Ended December 29, 2001	Fiscal Year Ended December 30, 2000	Three Months Ended December 25, 1999
Operating income	\$	\$	\$
Interest expense		(6,917)	(2,846)

	Fiscal Year Ended December 29, 2001	Fiscal Year Ended December 30, 2000	Three Months Ended December 25, 1999
Loss before income taxes, earnings from equity investments in subsidiary and extraordinary item		(6,917)	(2,846)
Income tax benefit		1,880	653
Loss before earnings (loss) from equity investment in subsidiary and extraordinary item		(5,037)	(2,193)
Earnings (loss) from equity investment in subsidiary	35,407	14,469	(635)
Income (loss) before extraordinary item	35,407	9,432	(2,828)
Extraordinary loss, net of a tax benefit of \$11,122		(20,656)	
Net income (loss)	\$ 35,407	\$ (11,224)	\$ (2,828)

See Notes to Condensed Parent Company Financial Statements

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FINANCIAL STATEMENT SCHEDULES
CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
SCHEDULE I CONDENSED PARENT COMPANY FINANCIAL STATEMENTS (continued)

CONDENSED PARENT COMPANY BALANCE SHEET
(dollars in thousands)

	December 29, 2001	December 30, 2000
Non-current assets		
Deferred tax asset	\$ 10,947	\$ 16,593
Investment in equity accounted subsidiary	278,563	103,271
Total assets	\$ 289,510	\$ 119,864
Shareholders' equity		
Common stock	\$ 442	\$ 359
Capital in excess of par	588,909	451,404
Retained earnings	(283,168)	(318,575)
Loans to officers	(341)	(920)
Unearned compensation	(316)	
Accumulated other comprehensive income	(16,016)	(12,404)
Total liabilities and shareholders' equity	\$ 289,510	\$ 119,864

See Notes to Condensed Parent Company Financial Statements

FINANCIAL STATEMENT SCHEDULES
CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
SCHEDULE I CONDENSED PARENT COMPANY FINANCIAL STATEMENTS (continued)

CONDENSED PARENT COMPANY STATEMENT OF CASH FLOWS
(dollars in thousands)

	Fiscal Year Ended December 29, 2001	Fiscal Year Ended December 30, 2000	Three Months Ended December 25, 1999
Cash flows relating to operating activities			
Net income (loss)	\$ 35,407	\$ (11,224)	\$ (2,828)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Accretion of debenture and discount note		6,500	2,644
Amortization of discounts		417	202
Extraordinary loss, net of tax		20,656	
(Earnings) loss from equity investment	(35,407)	(14,469)	635
Deferred income taxes		(1,880)	(653)
Windfall tax benefit from exercises of employee stock options	1,891		
Net cash provided by operating activities	1,891		
Cash flows relating to financing activities			
Proceeds from issuance of common stock, net of transaction fees	116,691	235,964	
Payments received from (loans to) officers	579		
Proceeds from exercises of employee stock options	1,380		
Proceeds from exercises of warrants	883		
Payments on long-term debt		(89,221)	
Premiums paid for early retirement of debt		(24,444)	
Additional investment in equity accounted subsidiary	(121,424)	(122,299)	
Net cash used in financing activities	(1,891)		
Net change in cash and cash equivalents			
Cash and cash equivalents, beginning of year			
Cash and cash equivalents, end of year	\$	\$	\$

See Notes to Condensed Parent Company Financial Statements

FINANCIAL STATEMENT SCHEDULES
CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

These condensed parent company financial statements have been prepared in accordance with Rule 12-04, Schedule 1 of Regulation S-X, as the restricted net assets of Charles River Laboratories, Inc. exceed 25% of the consolidated net assets of Charles River Laboratories International, Inc. (the Parent Company). As disclosed in Note 3 to the accompanying consolidated financial statements, in order to repay its obligations, the Parent Company is dependent upon either dividends from Charles River Laboratories, Inc., which are restricted by terms contained in the indenture governing the senior subordinated notes and the senior secured credit facility, or through a refinancing or equity transaction.

The Parent Company's 100% investment in Charles River Laboratories, Inc. has been recorded using the equity basis of accounting in the accompanying condensed parent company financial statements. The condensed statement of income and statement of cash flows are presented for the fiscal years ended December 29, 2001 and December 30, 2000 and for the three month period ended December 25, 1999, as the dividend restrictions and the current capital structure of the Parent Company were created as a result of the recapitalization transaction more fully described in Note 3 to the accompanying consolidated financial statements. There were no cash dividends paid to the Parent Company by Charles River Laboratories, Inc. during the fiscal years ended December 29, 2001 and December 30, 2000 and for the three months ended December 25, 1999.

On July 25, 2001, the Parent Company consummated a public offering ("July offering") of 8,000,000 shares of common stock at a price of \$29.00 per share. The Parent Company issued 2,000,000 shares of common stock and existing shareholders sold 6,000,000 shares. On July 30, 2001, existing shareholders sold an additional 724,700 shares of common stock through the exercise of the overallotment option. The Parent Company received proceeds of \$54,469, net of the underwriters' commission and offering costs.

On March 21, 2001, the Parent Company consummated a public offering ("March offering") of 8,050,000 shares of common stock at a price of \$19.00 per share. The Parent Company issued 3,500,000 shares of common stock and existing shareholders sold 4,550,000 shares, which included the exercise of the underwriters' overallotment option of 1,050,000 shares. The Parent Company received proceeds of \$62,222, net of the underwriters' commission and offering costs.

The net proceeds for the July offering and March offering contributed to the increase of the Parent Company's investment in equity accounted subsidiary for the year ended December 29, 2001.

On June 28, 2000, the Parent Company consummated an initial public offering ("the IPO") of 16,100,000 shares of its common stock at a price of \$16.00 per share. The number of shares includes the exercise of an over-allotment option by the underwriters. The Parent Company received proceeds of \$235,964, net of underwriters' commissions and offering costs. As described below, proceeds from the IPO were used to pay down a portion of the Parent Company's existing debt and to increase the Parent Company's investment in an equity accounted subsidiary.

The Parent Company used the proceeds from the IPO to repay \$89,221 of its existing debt, including issuance discounts. Premiums totaling \$24,444 were paid as a result of the early repayment of the senior discount debentures.

FINANCIAL STATEMENT SCHEDULES
CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

The sources and uses of cash from the IPO are as follows:

SOURCES OF FUNDS:	
Proceeds from offerings	\$ 257,600
USES OF FUNDS:	
Repayment of subordinated discount note	(46,873)
Repayment of senior discount debentures	(42,348)*
Premium of early extinguishment of senior discount debentures	(24,444)
Additional investment in equity accounted subsidiary	(122,299)

Transaction fees and expenses	(21,636)
Net adjustment to cash	\$

*

Includes issuance discount.

An extraordinary loss before tax of \$31,778 was recorded due to the payment of premiums relating to the early extinguishment of debt, (\$24,444); the write-off of issuance discounts (\$7,858); offset by a book gain of \$524 on the subordinated discount note. This extraordinary loss has been recorded net of a tax benefit of \$11,122.

On June 5, 2000, a 1.927 for 1 exchange of stock was approved by the Board of Directors of the Parent Company. This exchange of stock was effective June 21, 2000. All references to common stock and shareholders' equity amounts have been restated in these condensed Parent Company financial statements as if the exchange of stock had occurred as of the earliest period presented.

Subsequent Events

On January 24, 2002, the Parent Company issued \$175,000 par value of senior convertible debentures through a private placement offering. On February 11, 2002, the Parent Company issued an additional \$10,000 par value of senior convertible debentures through the additional purchase option. The Parent Company received approximately \$179,450, net of underwriter discounts. The senior convertible debentures will accrue interest at an initial annual rate of 3.5%, payable semi-annually in arrears, beginning August 1, 2002. The senior convertible debentures will mature in 2022 and are convertible into shares of the Parent Company's common stock at a conversion price of \$38.87, subject to adjustment under certain circumstances. On or after February 5, 2005, the Parent Company may redeem for cash all or part of the debentures that have not been previously converted at the redemption prices set forth in the purchase agreement. Holders may require the Parent Company to repurchase for cash all or part of their debentures on February 1, 2008, February 1, 2013 or February 1, 2017 at a price equal to 100% of the principal amount of the debentures plus accrued interest up to but not including the date of repurchase. In addition, upon a change in control of the Parent Company occurring on or prior to February 1, 2022, each holder may require the Parent Company to repurchase all or a portion of such holder's debentures for cash. The Parent Company used a portion of the net proceeds from the senior convertible debenture offering to retire all of the 13.5% senior subordinated notes through a tender offer.

On February 14, 2002, the Parent Company completed a tender offer for \$79,728 par value of all of the 13.5% senior subordinated notes at a premium of approximately 29.5%. The repayment of the 13.5% senior subordinated notes and related extraordinary loss will be recorded in the first quarter of 2002.

**FINANCIAL STATEMENT SCHEDULES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**

Income Tax Valuation Allowance

Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Description	Deductions	Description	Balance at End of Period
--------------------------------------	-------------------------------------	---------------------------------	-------------	------------	-------------	--------------------------------

(dollars in thousands)

For the year ended December 29, 2001						
Income Tax Valuation Allowance	\$	4,524	\$	Provisions	\$	\$ 4,524
For the year ended December 30, 2000						

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	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Description	Deductions	Description	Balance at End of Period
Income Tax Valuation Allowance	\$ 7,137	\$ 3,007		Provisions	\$ (5,620)	Releases	\$ 4,524
For the year ended December 25, 1999							
Income Tax Valuation Allowance	\$ 1,766	\$ 5,371		Provisions	\$		\$ 7,137
Allowance for Doubtful Accounts							

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Description	Deductions	Description	Balance at End of Period
(dollars in thousands)							
For the year ended December 29, 2001							
Allowance for Doubtful Accounts	\$ 1,036	\$ 1,550		Provisions	\$ (467)	Recoveries/ Write-offs	\$ 2,119
For the year ended December 30, 2000							
Allowance for Doubtful Accounts	\$ 978	\$ 535		Provisions	\$ (477)	Recoveries/ Write-offs	\$ 1,036
For the year ended December 25, 1999							
Allowance for Doubtful Accounts	\$ 898	\$ 324		Provisions	\$ (244)	Recoveries/ Write-offs	\$ 978

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SUPPLEMENTARY DATA

Quarterly Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(dollars in thousands)				
Year ended December 29, 2001				
Net sales	\$ 99,031	\$ 116,820	\$ 123,685	\$ 126,094
Gross profit	36,662	43,770	43,211	43,608
Income before extraordinary items	7,188	10,601	11,805	11,056
Extraordinary item	(237)	(1,583)	(1,284)	(2,139)
Net income	6,951	9,018	10,521	8,917
Earnings per common share before extraordinary item				
Basic	\$ 0.20	\$ 0.26	\$ 0.27	\$ 0.25
Diluted	\$ 0.18	\$ 0.24	\$ 0.26	\$ 0.24
Earnings per common share after extraordinary item				
Basic	\$ 0.19	\$ 0.22	\$ 0.24	\$ 0.20
Diluted	\$ 0.17	\$ 0.21	\$ 0.23	\$ 0.19
Year ended December 30, 2000				
Net sales	\$ 72,504	\$ 77,430	\$ 75,593	\$ 81,058
Gross profit	27,910	31,577	29,906	30,538
Income before extraordinary items	636	7,974	4,839	4,428
Extraordinary item			(29,101)	

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Net income (loss)	636	7,974	(24,262)	4,428
Earnings per common share before extraordinary item				
Basic	\$ 0.03	\$ 0.40	\$ 0.14	\$ 0.12
Diluted	\$ 0.03	\$ 0.34	\$ 0.12	\$ 0.11
Earnings (loss) per common share after extraordinary item				
Basic	\$ 0.03	\$ 0.40	\$ (0.69)	\$ 0.12
Diluted	\$ 0.03	\$ 0.34	\$ (0.61)	\$ 0.11

The net sales amounts shown above for the first, second and third quarters for the year ended December 30, 2000 differ to the net sales amounts reported in the condensed consolidated financial statements included in the Form 10-Qs for each of these quarters by \$3,202, \$3,333, and \$3,220, respectively. These amounts have been reclassified from cost of sales to revenues in accordance with Emerging Issues Task Force final consensus Issue 00-10, "Accounting for Shipping and Handling Revenues and Costs." Shipping and handling costs are recorded as cost of sales in the statement of income.

Item 9. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this Item is expected to be included in its Proxy Statement to be filed pursuant to Schedule 14A in connection with the Company's 2002 Annual Meeting of Stockholders under the section captioned "Management" and is incorporated herein by reference thereto.

Item 11. Executive Compensation

The information required by this Item is expected to be included in its Proxy Statement to be filed pursuant to Schedule 14A in connection with the Company's 2002 Annual Meeting of Stockholders under the sections captioned "Compensation of Directors," "Executive Compensation" and "Report of Compensation Committee" and is incorporated herein by reference thereto.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item is expected to be included in its Proxy Statement to be filed pursuant to Schedule 14A in connection with the Company's 2002 Annual Meeting of Stockholders under the section captioned "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference thereto.

Item 13. Certain Relationships and Related Transactions

The information required by this Item is expected to be included in its Proxy Statement to be filed pursuant to Schedule 14A in connection with the Company's 2002 Annual Meeting of Stockholders under the section captioned "Certain Relationships and Related Transactions" and is incorporated herein by reference thereto.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Report on Form 8-K

Item 14(a).

The following documents are filed as part of this annual report on Form 10-K.

Item 14(a)(1) and (2).

See "Index to Consolidated Financial Statements and Financial Statements Schedules" at Item 8 to this Annual Report on Form 10-K. Other financial statement schedules have not been included because they are not applicable or the information is included in the financial statements or notes thereto.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Item 14(a)(3). Exhibits

The following is a list of exhibits filed as part of this Annual Report on form 10-K:

Exhibit Number	Description
2.1	Recapitalization Agreement, dated as of July 25, 1999, among Charles River Laboratories, Inc., Charles River Laboratories International, Inc. (formerly known as Endosafe, Inc.), Bausch & Lomb Incorporated, and other parties listed therein (Filed as Exhibit 2.1). (3)
2.2	Amendment No. 1 to Recapitalization Agreement, dated as of September 29, 1999, by Bausch & Lomb Incorporated and CRL Acquisition LLC (Filed as Exhibit 2.2). (3)
2.3	Agreement and Plan of Reorganization, dated as of June 6, 2000, among Charles River Laboratories International, Inc., CRL Acquisition LLC and B&L CRL, Inc. (Filed as Exhibit 2.3). (2)
2.4	Stock Purchase Agreement among Pathology Associates International Corporation, Science Applications International Corp., and Charles River Laboratories, Inc., dated December 21, 2000 (filed as Exhibit 2.4). (1)
2.5	Stock Purchase Agreement, dated as of February 6, 2001, among Charles River Laboratories, Inc., Primedica Corporation, TSI Corporation and Genzyme Transgenics Corporation (Filed as Exhibit 2.5). (1)
3.1	Amended and Restated Certificate of Incorporation of Charles River Laboratories International, Inc. (filed as Exhibit 3.1). (2)
3.2	By-laws of Charles River Laboratories International, Inc. (Filed as Exhibit 3.2). (2)
4.1	Form of certificate representing shares of common stock, \$0.01 per value per share (Filed as Exhibit 4.1). (2)
4.2	Indenture, dated as of September 29, 1999 between Charles River Laboratories, Inc. and the Trustee (Filed as Exhibit 10.4). (3)
4.3	First Supplemental Indenture, dated as of January 30, 2002, between Charles River Laboratories, Inc. and the Trustee (Filed herewith).
4.4	Amended and Restated Investors' Agreement, dated as of June 19, 2000, among Charles River Laboratories International, Inc. and the shareholders named therein (Filed as Exhibit 4.2). (2)
4.5	Amendment No. 1 dated June 15, 2001 to the Amended and Restated Investors' Agreement dated as of June 19, 2000 (Filed as Exhibit 4.1). (6)
4.6	Amendment No. 2 dated November 19, 2001 to the Amended and Restated Investors' Agreement dated as of June 19, 2000 (Filed herewith).
4.7	Amendment No. 3 dated December 13, 2001 to the Amended and Restated Investors' Agreement dated as of June 19, 2000 (Filed herewith).
4.8	Indenture, dated as of January 24, 2002, between Charles River Laboratories International, Inc. and State Street Bank and Trust Company, as trustee (Filed herewith).
4.9	Registration Rights Agreement, dated as of January 17, 2002, among Charles River Laboratories International, Inc., Credit Suisse First Boston Corporation, Lehman Brothers Inc., J.P. Morgan Securities Inc., SG Cowen Securities Corporation, U.S. Bancorp Piper Jaffray Inc., Thomas Weisel Partners LLC, Investec PMG Capital Corp. and Jeffries & Company, Inc. (Filed herewith).

- 10.1 Amended and Restated Credit Agreement, dated as of February 2, 2001, among Charles River Laboratories, Inc., the various financial institutions, Union Bank of California, N.A., Credit Suisse First Boston, and National City Bank (Filed as Exhibit 10.1). (1)
- 10.2 Amendment No. 1 to the Credit Agreement among Charles River Laboratories, Inc., the various financial institutions, Fleet National Bank (as successor in interest to Union Bank of California) and Credit Suisse First Boston, dated April 18, 2001 (Filed as Exhibit 10.2). (7)
- 10.3 Amendment No. 2 to Amended and Restated Credit Agreement and Amendment No. 1 to amended and Restated Holdco Guaranty and Pledge Agreement, dated January 11, 2002 (Filed herewith).
- 10.4 Joint Venture Agreement between Ajinomoto Co., Inc. and Charles River Breeding Laboratories, Inc., dated June 24, 1981, and ancillary agreements, amendments and addenda (Filed as Exhibit 10.6). (4)
- 10.5 Supply Agreement between Merck & Co., Inc. and Charles River Laboratories, Inc., dated September 30, 1994 (Filed as Exhibit 10.7). (3)
- 10.6 Amended and Restated Stock Purchase Agreement among Charles River Laboratories, Inc. and SBI Holdings, Inc. and its stockholders, dated September 4, 1999 (Filed as Exhibit 10.8). (3)
- 10.7 Ground Lease between HIC Associates (Lessor) and Charles River Laboratories, Inc. (Lessee) dated June 5, 1992; Real Estate Lease between Charles River Laboratories, Inc. (Landlord) and Charles River Partners L.P. (Tenant) dated December 22, 1993; and Assignment and Assumption Agreement between Charles River Partners, L.P. (Assignor) and Wilmington Partners L.P. (Assignees) dated December 22, 1993 (Filed as Exhibit 10.9). (3)
- 10.8 Amended and Restated Distribution Agreement among Charles River BRF, Inc., Charles River Laboratories, Inc., Bioculture Mauritius Ltd. and Marry Ann and Owen Griffiths, dated December 23, 1997 (Filed as Exhibit 10.10). (3)
- 10.9 Supply Agreement between Sierra Biomedical, Inc. and Scientific Resources International, Ltd., dated March 18, 1997 (Filed as Exhibit 10.11). (3)
- 10.10 Severance Agreement between Charles River Laboratories, Inc. and Real H. Renaud, dated January 20, 1992 (Filed as Exhibit 10.10). (2)+
- 10.11 1999 Charles River Laboratories Officer Separation Plan (Filed as Exhibit 10.11). (2)+
- 10.12 Form of Agreement and Release among Bausch & Lomb, Incorporated, Charles River Laboratories, Inc. and the named executive officers, dated as of July 25, 1999 (Filed as Exhibit 10.12). (2)+
- 10.13 1999 Management Incentive Plan (Filed as Exhibit 10.1). (5)+
- 10.14 2000 Incentive Plan (Filed as Exhibit 10.14). (2)+
- 10.15 Amendment No. 1 to the 2000 Incentive Plan of Charles River Laboratories International, Inc., dated May 8, 2001 (Filed as Exhibit 99.1). (7)
- 10.16 2000 Directors Stock Plan (Filed as Exhibit 10.15). (2)+
- 10.17 Charles River Laboratories International, Inc. 2000 Incentive Plan Inland Revenue Approved Rules for UK Employees (Filed as Exhibit 99.1). (8)
- 10.18 Form of Indemnification Agreement (Filed as Exhibit 10.16). (2)+
- 21.1 Subsidiaries of Charles River Laboratories International, Inc.
- 23.1 Consent of PricewaterhouseCoopers LLP.

- (1) Previously filed as an exhibit to the Company's Registration Statement on Form S-3 (File No. 333-55670), as amended, filed February 15, 2001.

- (2) Previously filed as an exhibit to Amendment No. 2 to the Company's Registration Statement on Form S-1 (File No. 333-35524), as amended, filed June 23, 2000.
- (3) Previously filed as an exhibit to the Registration Statement of Charles River Laboratories Holdings, Inc., predecessor in interest to the Company, on Form S-1 (File No. 333-92383), as amended, filed December 8, 1999.
- (4)

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Previously filed as an exhibit to the Registration Statement of Charles River Laboratories Holdings, Inc., predecessor in interest to the Company, on Form S-1 (File No. 333-35524) filed April 25, 2000.

- (5) Previously filed as an exhibit to the Quarterly Report on Form 10-Q of Charles River Laboratories Holdings, Inc., predecessor in interest to the Company, filed May 9, 2000.
- (6) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q filed August 10, 2001.
- (7) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q filed May 15, 2001.
- (8) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q filed November 5, 2001.
- + Management contract or compensatory plan, contract or arrangement.

Where a document is incorporated by reference from a previous filing, the Exhibit number of the document in that previous filing is indicated in parentheses after the description of such document.

Item 14(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on February 14, 2002 to announce, pursuant to Item 5, the consideration to be paid by its wholly-owned subsidiary, Charles River Laboratories, Inc., in its cash tender offer for any and all of its outstanding 13.5% Senior Subordinated notes due 2009.

The Company filed a Current Report on Form 8-K on January 30, 2002 to announce, pursuant to Item 5, receipt of requisite consents from holders of the outstanding 13.5% Senior Subordinated Notes due 2009 of its wholly-owned subsidiary, Charles River Laboratories, Inc.

The Company filed a Current Report on Form 8-K on January 23, 2002 to announce, pursuant to Item 5, the placement of \$175 million of its 3.5% Senior Convertible Debentures due 2022.

The Company filed a Current Report on Form 8-K on January 17, 2002 to announce, pursuant to Item 5, that its wholly-owned subsidiary, Charles River Laboratories, Inc., had commenced a cash tender offer for any and all of its outstanding 13.5% Senior Subordinated notes due 2009.

The Company filed a Current Report on Form 8-K on January 17, 2002 to announce, pursuant to Item 5, its intention to offer Senior Convertible Debentures.

The Company filed with the Securities and Exchange Commission on March 12, 2001 Amendment No. 1 to Form 8-K on Form 8-K/A for the purpose of amending the Form 8-K filed on December 22, 2000. The Amendment was filed to change the item number of the Form 8-K under which the information was filed from Item 9 ("Regulation FD Disclosure") to Item 5 ("Other Events").

The Company filed with the Securities and Exchange Commission on March 12, 2001 Amendment No. 1 to Form 8-K on Form 8-K/A for the purpose of amending the Form 8-K filed on January 9, 2001. The Amendment was filed to change the item number of the Form 8-K under which the information was filed from Item 9 ("Regulation FD Disclosure") to Item 5 ("Other Events").

The Company filed with the Securities and Exchange Commission on March 12, 2001 Amendment No. 1 to Form 8-K on Form 8-K/A for the purpose of amending the Form 8-K filed on February 7, 2001. The Amendment was filed to change the item number of the Form 8-K under which the information was filed from Item 9 ("Regulation FD Disclosure") to Item 5 ("Other Events"). In addition, the Company also gave notice of the scheduling of its 2001 Annual Meeting of Stockholders and included instructions to stockholders on submitting proposals to be considered for inclusion in the proxy statement relating to the Annual Meeting of Stockholders.

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The Company filed with the Securities and Exchange Commission on February 28, 2001 a Current Report on Form 8-K including a press release announcing the completion of the acquisition of Primedica Corporation from Genzyme Transgenics Corporation for \$51.9 million.

The Company filed with the Securities and Exchange Commission on February 15, 2001 a Current Report on Form 8-K, pursuant to Item 5, including its consolidated financial statements for the fiscal year ended December 30, 2000 and Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company filed with the Securities and Exchange Commission on February 7, 2001 a Current Report on Form 8-K including a press release announcing the signing of a definitive agreement to acquire Primedica Corporation from Genzyme Transgenics Corporation for \$52 million.

The Company filed with the Securities and Exchange Commission on January 9, 2001 a Current Report on Form 8-K including a press release announcing the completion of the acquisition of Pathology Associates International Corporation.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHARLES RIVER LABORATORIES
INTERNATIONAL, INC.

By: /s/ THOMAS F.
ACKERMAN Date: March 27,
2002

Thomas F. Ackerman
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated below and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
By: /s/ JAMES C. FOSTER _____ James C. Foster	President, Chief Executive Officer and Chairman	March 27, 2002
By: /s/ THOMAS F. ACKERMAN _____ Thomas F. Ackerman	Senior Vice President and Chief Financial Officer	March 27, 2002
By: /s/ ROBERT CAWTHORN _____ Robert Cawthorn	Director	March 27, 2002
By: /s/ STEPHEN D. CHUBB _____ Stephen D. Chubb	Director	March 27, 2002
By: /s/ SAMUEL THIER _____ Samuel Thier	Director	March 27, 2002

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
Samuel Thier		
By: <u>/s/ WILLIAM WALTRIP</u>	Director	March 27, 2002
William Waltrip		

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PROSPECTUS SUPPLEMENT

Charles River Laboratories International, Inc.

RECENT DEVELOPMENTS

CHARLES RIVER LABORATORIES INTERNATIONAL, INC. FORM 10-K ANNUAL REPORT

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