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CHARLES RIVER LABORATORIES INTERNATIONAL, INC. FORM 10-Q For the Quarterly Period Ended September 25, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 25, 2004

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number 333-92383

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

(Exact Name of Registrant as specified in its Charter)

DELAWARE (State of Incorporation)	**06-1397316** (I.R.S. Employer Identification No.)
251 BALLARDVALE STREET, **WILMINGTON, MASSACHUSETTS** (Address of Principal Executive Offices)	**01887** (Zip Code)

978-658-6000
(Registrant's Telephone Number, Including Area Code)

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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No o

As of October 20, 2004, there were 64,802,938 shares of the registrant's common stock outstanding.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
FORM 10-Q
For the Quarterly Period Ended September 25, 2004
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Special Note on Factors Affecting Future Results

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "anticipate," "believe," "expect," "estimate," "plan," "outlook," and "project" and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. Forward-looking statements are based on Charles River's current expectations and beliefs, and involve a number of risks and uncertainties that could cause actual results to differ materially from those stated or implied by the forward-looking statements. Those risks and uncertainties include, but are not limited to: challenges arising from the merger with Inveresk Research Group; a decrease in research and development spending or a decrease in the level of outsourced services; acquisition integration risks; special interest groups; contaminations; industry trends; new displacement technologies; USDA and FDA regulations; changes in law; continued availability of products and supplies; loss of key personnel; interest rate and foreign currency exchange rate fluctuations; changes in tax regulation and laws; changes in generally accepted accounting principles; and any changes in business, political, or economic conditions due to the threat of future terrorist activity in the U.S. and other parts of the world, and related U.S. military action overseas. A further description of these risks, uncertainties, and other matters can be found in the Risk Factors detailed in Charles River's Registration Statement on Form S-4 as filed on September 16, 2004, with the Securities and Exchange Commission. Because forward-looking statements involve risks and uncertainties, actual results and events may differ materially from results and events currently expected by Charles River, and Charles River assumes no obligation and expressly disclaims any duty to update information contained in this Quarterly Report on Form 10-Q except as required by law.

Part I. Financial Information

Item 1. Financial Statements

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(dollars in thousands, except per share amounts)

	Three Months Ended	
	September 25, 2004	September 27, 2003
Net sales related to products	$ 81,657	$ 74,112
Net sales related to services	94,369	77,082
Total net sales	176,026	151,194
Costs and expenses		
Cost of products sold	44,452	41,676
Cost of services provided	62,177	53,026
Selling, general and administrative	24,821	21,003
Amortization of intangibles	1,202	1,233
Operating income	43,374	34,256
Other income (expense)		
Interest income	849	451
Interest expense	(2,073)	(2,173)
Other, net	(83)	27
Income before income taxes and minority interests	42,067	32,561
Provision for income taxes	15,775	12,536
Income before minority interests	26,292	20,025
Minority interests	(471)	(434)
Net income	$ 25,821	$ 19,591
Earnings per common share		
Basic	$ 0.56	$ 0.43
Diluted	$ 0.51	$ 0.40

See Notes to Condensed Consolidated Financial Statements

	Nine Months Ended	
	September 25, 2004	September 27, 2003
Net sales related to products	$ 256,369	$ 230,718
Net sales related to services	272,487	226,965
Total net sales	528,856	457,683
Costs and expenses		
Cost of products sold	136,875	125,587
Cost of services provided	179,135	158,037
Selling, general and administrative	82,161	66,491
Other operating expenses, net	—	747
Amortization of intangibles	3,591	3,711
Operating income	127,094	103,110
Other income (expense)		
Interest income	2,359	1,362
Interest expense	(6,308)	(6,383)
Other, net	44	443
Income before income taxes and minority interests	123,189	98,532
Provision for income taxes	51,985	37,935
Income before minority interests	71,204	60,597
Minority interests	(1,489)	(1,091)
Net income	$ 69,715	$ 59,506
Earnings per common share		
Basic	$ 1.51	$ 1.31
Diluted	$ 1.39	$ 1.22

See Notes to Condensed Consolidated Financial Statements

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(dollars in thousands)

	September 25, 2004	December 27, 2003
Assets		
Current assets		
Cash and cash equivalents	$ 259,406	$ 182,331
Marketable securities	10,857	13,156
Trade receivables, less allowances of $1,777 and $1,644, respectively	128,601	111,514
Inventories	55,572	52,370
Other current assets	10,924	11,517
Total current assets	465,360	370,888
Property, plant and equipment, net	209,193	203,458
Goodwill, net	114,970	105,308
Other intangibles, net	31,014	30,415
Deferred tax asset	51,227	61,603
Other assets	35,284	27,882
Total assets	$ 907,048	$ 799,554
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 15,487	$ 19,433
Accrued compensation	35,550	27,251
Deferred income	37,321	30,846
Accrued liabilities	32,259	28,843
Other current liabilities	15,451	7,978
Total current liabilities	136,068	114,351
Long-term debt and capital lease obligations	185,961	185,683
Other long-term liabilities	24,784	24,721
Total liabilities	346,813	324,755
Commitments and contingencies (Note 12)		
Minority interests	9,411	10,176
Shareholders' equity		
Preferred stock, $0.01 par value; 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value; 120,000,000 shares authorized; 46,298,397 and 45,801,211 shares issued and outstanding at September 25, 2004 and December 27, 2003, respectively	463	458
Capital in excess of par value	625,559	609,781
Retained earnings (accumulated deficit)	(83,170)	(152,885)
Unearned compensation	(1,889)	(1,985)
Accumulated other comprehensive income	9,861	9,254
Total shareholders' equity	550,824	464,623
Total liabilities and shareholders' equity	$ 907,048	$ 799,554

See Notes to Condensed Consolidated Financial Statements

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollars in thousands)

	Nine Months Ended	
	September 25, 2004	September 27, 2003
Cash flows relating to operating activities		
Net income	$ 69,715	$ 59,506
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,612	21,282
Amortization of debt issuance costs and discounts	987	896
Amortization of premiums on marketable securities	203	104
Provision for doubtful accounts	731	1,139
Minority interests	1,489	1,091
Deferred income taxes	12,103	7,841
Tax benefit from exercise of employee stock options	3,391	2,980
Loss on disposal of property, plant, and equipment	677	99
Asset impairment charge	—	3,655
Litigation settlement	—	(2,908)
Non-cash compensation	1,779	712
Changes in assets and liabilities:		
Restricted cash	—	5,000
Trade receivables	(16,364)	(10,332)
Inventories	(3,480)	(3,558)
Other current assets	532	(2,222)
Other assets	(5,263)	2,596
Accounts payable	(4,553)	(1,353)
Accrued compensation	8,281	(3,622)
Deferred income	5,459	574
Accrued liabilities	3,152	(420)
Other current liabilities	7,514	(1,470)
Other long-term liabilities	199	2,882
Net cash provided by operating activities	110,164	84,472
Cash flows relating to investing activities		
Acquisition of businesses, net of cash acquired	(16,972)	(10,841)
Capital expenditures	(22,111)	(19,769)
Purchases of marketable securities	(14,858)	(15,485)
Proceeds from sale of marketable securities	13,503	—
Proceeds from sale of property, plant and equipment	499	478
Net cash used in investing activities	(39,939)	(45,617)
Cash flows relating to financing activities		
Proceeds from long-term debt and revolving credit agreement	94,000	6,843
Payments on long-term debt, capital lease obligation and revolving credit agreement	(94,370)	(6,121)
Proceeds from exercises of employee stock options	10,708	2,531
Proceeds from exercises of warrants	—	907
Dividends paid to minority interests	(2,112)	(1,902)
Payment of deferred financing costs	(100)	(783)
Net cash provided by financing activities	8,126	1,475
Effect of exchange rate changes on cash and cash equivalents	(1,276)	1,477
Net change in cash and cash equivalents	77,075	41,807
Cash and cash equivalents, beginning of period	182,331	122,509
Cash and cash equivalents, end of period	$ 259,406	$ 164,316

See Notes to Condensed Consolidated Financial Statements

(dollars in thousands, except per share amounts)

1. Basis of Presentation

The condensed consolidated interim financial statements are unaudited, and certain information and footnote disclosures related thereto normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been omitted in accordance with Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited condensed consolidated financial statements were prepared following the same policies and procedures used in the preparation of the audited financial statements and reflect all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the financial position and results of operations of Charles River Laboratories International, Inc. (the "Company"). The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. These condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 27, 2003.

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

2. Business Acquisitions

On January 8, 2004, the Company acquired River Valley Farms, Inc. (RVF), a privately held medical device contract research business. Consideration, including acquisition expenses, was $16,972, net of cash acquired of $347. RVF was acquired to strengthen service offerings of the Company's existing development and safety testing (DST) segment. The acquisition was recorded as a purchase business combination in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations."

The preliminary purchase price allocations associated with the RVF acquisition are as follows:

Current assets	$ 2,135
Property, plant and equipment	5,987
Current liabilities	(2,828)
Non-current liabilities	(2,315)
Estimated fair value, net tangible assets acquired	2,979
Goodwill and other intangibles acquired	13,993
Consideration, net of cash acquired	$ 16,972

		Weighted average amortization life (years)
Customer relationships	$ 3,800	12.0
Goodwill	10,193	
Total goodwill and other intangibles	$ 13,993	

The following selected unaudited pro forma consolidated results of operations are presented as if each acquisition had occurred as of the beginning of 2003, after giving effect to certain adjustments for additional interest expense 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.

	Three Months Ended		Six Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
	(as reported)	(pro forma)	(as reported)	(pro forma)
Net sales	$ 176,026	$ 153,740	$ 528,856	$ 464,409
Operating income	43,374	34,608	127,094	103,451
Net income	25,821	19,791	69,715	59,662
Earnings per common share				
Basic	$ 0.56	$ 0.43	$ 1.51	$ 1.32
Diluted	$ 0.51	$ 0.40	$ 1.39	$ 1.22

Refer to Note 8 for further discussion of the method of computation of earnings per share.

3. Restructuring and Other Charges

Restructuring Charges

During the fourth quarter of 2001, the Company recorded restructuring charges of $1,788, including asset disposals of $1,041, employee separation of $477 and other charges of $270, associated with the closure of a facility in San Diego, California. The restructuring plan included the termination of approximately 40 employees and the exit of a facility utilized under an operating lease. During 2002, the Company recorded an additional $292 charge relating to the facility's lease obligation based on the Company's revised estimate of expected sublease income generated over the remaining lease term. During the third quarter of 2003, the Company recorded an additional $404 charge relating to the remaining lease obligation at the facility due to adverse rental market conditions in the San Diego area. The San Diego facility was included in the DST segment.

During the fourth quarter of 2000, the Company recorded restructuring charges of $1,290, including asset disposal of $212, associated with the closure of a facility in France. During 2001, the Company recorded additional charges of $1,915, which included a write down 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. Approximately 60 employees were terminated as a result of the restructuring. The French facility was included in the research models and services (RMS) segment.

Other Charges

During the second and third quarters of 2003, the Company recorded a total charge of $954, included in the DST segment, for severance to employees who were terminated as part of a cost savings program. The Company recorded $690 of the charge in cost of services provided and $264 in selling, general and administrative expenses in the condensed consolidated statements of income.

Approximately 100 employees, mainly technicians, technical support and administrative staff, were terminated as part of the cost savings program.

During the first quarter of 2003, the Company reevaluated the marketability of certain long-lived assets related to a biopharmaceutical production facility in Maryland, which is included in the DST segment, due to a significant decline in market interest in purchasing these assets. Since the Company was unable to locate a buyer for these assets, an impairment charge was recognized because future undiscounted cash flows were estimated to be insufficient to recover the related book value. The Company recorded an asset impairment charge of $3,655 for the write-down of those assets including a net write-down of leasehold improvements of $2,195 and machinery and equipment of $1,460. The charge was recorded as other operating expenses in the condensed consolidated statements of income. The Company closed the Maryland facility during 2003.

A summary of the activities associated with the above restructuring and other charges and the related liabilities balance is as follows:

	Employee Separations	Other	Total
December 27, 2003	$ 213	$ 466	$ 679
Amounts paid	(58)	(139)	(197)
Reversal	(46)	—	(46)
Foreign currency translation	(2)	(1)	(3)
September 25, 2004	$ 107	$ 326	$ 433

The Company has closed both the San Diego facility and the French facility and expects the reserves to be fully utilized by the end of 2005. All terminated employees had separated from the Company by the end of the third quarter of 2002.

4. Litigation Settlement

On March 28, 2003, the Company's French subsidiaries, which are included in the RMS segment, settled a pending breach of contract claim against a customer. The Company's French subsidiaries had previously been awarded damages of approximately $4,600 by the Commercial Court of Lyon and the damages award was stayed pending appeal by the customer at the French Supreme Court. The final settlement of this dispute was for a gross value of approximately $3,750, resulting in the retention by the Company's French subsidiaries of that amount previously deposited by the customer, pursuant to the order of the Commercial Court of Lyon, and recorded in deferred income in the condensed consolidated balance sheet. During 2000, the Company recognized approximately $350 of the damages award to offset a portion of subcontractor costs incurred based on the indemnification clause in the original customer agreement. After legal and related expenses, the Company's French subsidiaries recorded a net gain for the retained settlement amount of $2,908, which was recorded in the first quarter of 2003 as other operating income in the condensed consolidated statements of income.

5. Supplemental Balance Sheet Information

The composition of inventories is as follows:

		September 25, 2004		December 27, 2003
Raw materials and supplies	$	8,383	$	6,872
Work in process		3,834		4,028
Finished products		43,355		41,470
Inventories	$	55,572	$	52,370

The composition of other current assets is as follows:

		September 25, 2004		December 27, 2003
Prepaid assets	$	7,870	$	8,444
Deferred tax asset		3,054		3,073
	$	10,924	$	11,517

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

		September 25, 2004		December 27, 2003
Land	$	12,639	$	12,328
Buildings		207,211		207,385
Machinery and equipment		174,384		166,178
Leasehold improvements		16,073		13,018
Furniture and fixtures		4,190		4,080
Vehicles		4,206		3,175
Construction in progress		19,637		15,636
		438,340		421,800
Less accumulated depreciation		(229,147)		(218,342)
Net property, plant and equipment	$	209,193	$	203,458

Depreciation expense for the nine months ended September 25, 2004 and September 27, 2003 was $20,021 and $17,571, respectively.

The composition of other assets is as follows:

		September 25, 2004		December 27, 2003
Long-term marketable securities	$	10,721	$	7,329
Cash surrender value of life insurance policies		7,368		7,298
Pension asset		4,176		5,637
Deferred financing costs		3,865		4,752
Other assets		9,154		2,866
	$	35,284	$	27,882

The composition of other current liabilities is as follows:

	September 25, 2004	December 27, 2003
Accrued income taxes	$ 13,824	$ 4,889
Accrued interest	1,124	2,770
Current portion of long-term debt and capital lease obligation	503	319
	$ 15,451	$ 7,978

The composition of other long-term liabilities is as follows:

	September 25, 2004	December 27, 2003
Accrued Executive Supplemental Life Insurance Retirement Plan	$ 13,633	$ 12,873
Deferred tax liability	3,907	3,938
Long-term pension liability	1,727	1,643
Other long-term liabilities	5,517	6,267
	$ 24,784	$ 24,721

6. Goodwill and Other Intangible Assets

The following table displays goodwill and other intangible assets not subject to amortization and other intangible assets that continue to be subject to amortization:

	September 25, 2004		December 27, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Goodwill	$ 127,664	$ (12,694)	$ 118,014	$ (12,706)
Other intangible assets not subject to amortization	$ 3,438	$ —	$ 3,438	$ —
Other intangible assets subject to amortization:				
Customer relationships	30,502	(7,967)	26,818	(5,752)
Customer contracts	3,585	(3,293)	3,585	(3,078)
Trademarks and trade names	3,220	(1,157)	3,224	(913)
Standard operating procedures	1,352	(819)	1,353	(637)
Other identifiable intangible assets	6,002	(3,849)	5,531	(3,154)
Total other intangible assets	$ 48,099	$ (17,085)	$ 43,949	$ (13,534)

The changes in the gross carrying amount and accumulated amortization of goodwill from December 27, 2003 to September 25, 2004 are as follows:

	Research Models and Services		Development and Safety Testing		Total	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Balance at December 27, 2003	$ 16,309	$ (2,865)	$ 101,705	$ (9,841)	$ 118,014	$ (12,706)
Adjustments to goodwill:						
Acquisitions	—	—	10,193	—	10,193	—
Other	(72)	20	(471)	(8)	(543)	12
Balance at September 25, 2004	$ 16,237	$ (2,845)	$ 111,427	$ (9,849)	$ 127,664	$ (12,694)

Estimated amortization expense for each of the next five fiscal years is as follows:

2004	$ 4,296
2005	3,566
2006	3,413
2007	3,097
2008	2,988

7. Long-Term Debt

On March 31, 2003, the Company entered into a revolving credit agreement which matures on March 31, 2006. The agreement permits the Company to borrow up to $100,000 at an interest rate based on, at the Company's option, the greater of either the Prime Rate, the Base CD Rate plus 1% and the Federal Funds Effective Rate plus 0.5%, or LIBOR multiplied by the Statutory Reserve Rate plus a spread of 1.25% to 2.50% based on the leverage ratio of the Company and the aggregate borrowing under the revolving credit agreement. Interest is payable based on the Company's selected interest rate, which ranges from monthly to semi-annually. The credit agreement requires the Company to pay a quarterly commitment fee which ranges from 25 through 50 basis points annually on the undrawn balance based on the leverage of the Company. The agreement also requires the Company to remain in compliance with certain financial ratios as well as other restrictive covenants. There were no amounts outstanding under the credit agreement as of September 25, 2004.

8. Shareholders' Equity

Earnings per Share

Basic earnings per share for the three and nine months ended September 25, 2004 and September 27, 2003 were computed by dividing earnings available to common shareholders for these periods by the weighted average number of common shares outstanding in the respective periods adjusted for contingently issuable shares. The weighted average number of common shares outstanding in the three and nine months ended September 25, 2004 and September 27, 2003 have been adjusted to include common stock equivalents for the purpose of calculating diluted earnings per share for this period.

Options to purchase 28,800 and 215,550 shares were outstanding in each of the respective three months ended September 25, 2004 and September 27, 2003 but were not included in computing diluted earnings per share because their inclusion would have been anti-dilutive. Options to purchase 34,200 and 3,268,959 shares were outstanding in each of the respective nine months ended September 25, 2004 and September 27, 2003 but were not included in computing diluted earnings per share because their inclusion would have been anti-dilutive.

Basic weighted average shares outstanding for the three and nine months ended September 25, 2004 and September 27, 2003 excluded the weighted average impact of 20,000 shares of contingently issuable shares. In addition, basic weighted average shares outstanding for the three and nine months ended September 25, 2004 and September 27, 2003 excluded the weighted average impact of 58,241 and 72,139 shares, respectively, of non-vested fixed restricted stock awards.

The following table illustrates the reconciliation of the numerator and denominator of the basic and diluted earnings per share computations:

	Three Months Ended		Nine Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Numerator:				
Net income for purposes of calculating earnings per share	$ 25,821	$ 19,591	$ 69,715	$ 59,506
After-tax equivalent of interest expense on 3.5% senior convertible debentures	1,012	996	3,035	2,987
Income for purposes of calculating diluted earnings per share	$ 26,833	$ 20,587	$ 72,750	$ 62,493
Denominator:				
Weighted average shares outstanding—Basic	46,160,504	45,600,735	46,020,766	45,366,187
Effect of dilutive securities:				
3.5% senior convertible debentures	4,759,455	4,759,455	4,759,455	4,759,455
Stock options and contingently issued restricted stock	1,293,848	805,720	1,277,632	762,780
Warrants	338,810	324,340	337,751	400,146
Weighted average shares outstanding—Diluted	52,552,617	51,490,250	52,395,604	51,288,568
Basic earnings per share	$ 0.56	$ 0.43	$ 1.51	$ 1.31
Diluted earnings per share	$ 0.51	$ 0.40	$ 1.39	$ 1.22

Comprehensive Income

The components of comprehensive income for the three and nine months ended September 25, 2004 and September 27, 2003 are set forth below:

	Three Months Ended		Nine Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Net income	$ 25,821	$ 19,591	$ 69,715	$ 59,506
Foreign currency translation adjustment, net of tax	2,273	(2,113)	694	7,919
Net unrealized gain on marketable securities, net of tax	37	9	(87)	9
Comprehensive income	$ 28,131	$ 17,487	$ 70,322	$ 67,434

9. Income Taxes

In the first quarter of 2004, the Company reorganized its European operations. The purpose of the reorganization was to streamline the legal entity structure in order to improve operating efficiency and cash management, facilitate acquisitions and provide tax benefits. The reorganization, which did not involve reductions of personnel or facility closures, resulted in a one-time, non-cash charge to earnings in the first quarter of 2004 of $7,900 due primarily to the write-off of a deferred tax asset.

In light of this reorganization, the Company reassessed the valuation allowance associated with its foreign tax credit carryforwards. As a result of this reassessment, $2,111 of the valuation allowance was released and recorded as a tax benefit in the first quarter of 2004.

The following table provides a reconciliation of the provision for income taxes on the condensed consolidated statement of income:

	Three Months Ended		Nine Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Income before income taxes and minority interest	$ 42,067	$ 32,561	$ 123,189	$ 98,532
Effective tax rate	37.5%	38.5%	37.5%	38.5%
Provision at effective tax rate	$ 15,775	$ 12,536	$ 46,196	$ 37,935
Effect of:				
Deferred tax asset write-off	—	—	7,900	—
Valuation allowance release	—	—	(2,111)	—
Provision for income taxes	$ 15,775	$ 12,536	$ 51,985	$ 37,935

10. Employee Benefits

The following table provides the components of net periodic benefit cost for the Company's defined benefit plans:

Pension Benefits

	Three Months Ended		Nine Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Service cost	$ 793	$ 828	$ 2,419	$ 1,911
Interest cost	650	675	1,950	1,505
Expected return on plan assets	(836)	(856)	(2,507)	(1,892)
Amortization of transition obligation	1	4	3	12
Amortization of prior service cost	72	90	216	198
Amortization of net loss	19	139	57	317
Net periodic benefit cost	$ 699	$ 880	$ 2,138	$ 2,051

Supplemental Retirement Benefits

	Three Months Ended		Nine Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Service cost	$ 71	$ 107	$ 213	$ 323
Interest cost	208	184	624	554
Amortization of prior service cost	(41)	(41)	(122)	(123)
Amortization of net loss	146	118	437	352
Net periodic benefit cost	$ 384	$ 368	$ 1,152	$ 1,106

The Company contributed $215 and $598 to its pension plans during the three and nine months ended September 25, 2004.

11. Stock-Based Compensation Plans

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the presentation of certain pro forma information as if the Company had accounted for its employee stock options under the fair value method. For purposes of this disclosure, the fair value of the fixed option grants was estimated using the Black-Scholes option-pricing model. 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 and expected life of the options. 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 affect 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. However, for each period presented, management believes the Black-Scholes model is the most appropriate option valuation model for the Company's options.

Had compensation expense for the Company's option grants been determined consistent with the provision of SFAS No. 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure, an Amendment of FASB Statement No. 123," the

Company's net income for the three and nine months ended September 25, 2004 and September 27, 2003 would have been reduced to the pro forma amounts indicated below:

	Three Months Ended		Nine Months Ended	
	September 25, 2004	**September 27, 2003**	**September 25, 2004**	**September 27, 2003**
Reported net income	$ 25,821	$ 19,591	$ 69,715	$ 59,506
Add: Stock-based employee compensation included in reported net income, net of tax	119	185	1,112	438
Less: Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax	(4,263)	(2,890)	(13,730)	(7,126)
Pro forma net income	$ 21,677	$ 16,886	$ 57,097	$ 52,818
Reported basic earnings per share	$ 0.56	$ 0.43	$ 1.51	$ 1.31
Pro forma basic earnings per share	$ 0.47	$ 0.37	$ 1.24	$ 1.16
Reported diluted earnings per share	$ 0.51	$ 0.40	$ 1.39	$ 1.22
Pro forma diluted earnings per share	$ 0.43	$ 0.35	1.15	$ 1.09

Restricted Common Stock and Performance Based Plans

Under the Company's 2000 Incentive Plan, restricted common stock of the Company may be granted at no cost to officers and key employees. Plan participants are entitled to cash dividends, if declared, and to vote their respective shares. Restrictions limit the sale or transfer of these shares until they vest, which is typically over a three-year period. Upon issuance of restricted stock awards under the plan, unearned compensation equivalent to the market value at the date of grant is charged to shareholders' equity and subsequently amortized to expense over the vesting period. On February 13, 2004, the Company granted 18,700 restricted stock awards and recorded $805 as unearned compensation in shareholders' equity. During the three months ended September 25, 2004 and September 27, 2003, the Company recorded $400 and $300, respectively, and during the nine months ended September 25, 2004 and September 27, 2003, the Company recorded $1,327 and $712, respectively, in compensation expense for restricted stock awards.

In the first quarter of 2004, the Company's Board of Directors initiated a new performance-based management incentive program (Mid-Term Incentive (MTI) Program), as a carve-out from the shareholder approved 2000 Incentive Plan. For 2004, the MTI Program provides that up to a maximum of 218,000 performance units may be granted to senior executives and certain other key employees of the Company based on achieving financial performance targets for 2006. The MTI Program units, which equal the value of one share of Company stock, will be paid out to participating employees in the form of cash and restricted stock. During the second quarter of 2004, management anticipated that following the merger with Inveresk Research Group, Inc. (Inveresk), the 2006 revenue and operating income targets that trigger the maximum unit payments would likely be achieved. Subsequently, during the third quarter of 2004, management recommended and the Compensation Committee of the Board of Directors agreed to exercise its discretion to increase the MTI targets to include Inveresk's three year projections as set forth in the merger plan presented to the Board of Directors on June 30, 2004.

Therefore, the merger will not trigger any payments under the MTI program. For a participant to be eligible to receive payment for 2004 MTI units, the employee must remain employed with the Company until at least the beginning of 2007. The restricted stock, which requires continued employment beyond 2007, vests over the ensuing two-year period.

The Company will accrue compensation expense for the 2004 MTI Program obligations over the period the participating employees are required to be employed by the Company. During the three months ended September 25, 2004, the Company reversed $419 of compensation expense for the 2004 MTI Program based on the Compensation Committee's decision as noted above. The reversal resulted in a decrease of $211 in capital in excess of par value in shareholders' equity for the restricted stock portion and $208 in accrued compensation for the cash portion. During the nine months ended September 25, 2004, the Company recorded $897 as compensation expense, of which $451 was recorded as capital in excess of par value and $446 was recorded as accrued compensation. The accrual for the MTI Program is marked to market on a quarterly basis. Accordingly, changes in the market value of Company stock could materially affect this compensation expense.

12. Commitments and Contingencies

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.

As of September 25, 2004 and December 27, 2003, the Company had $4,763 and $5,313 under letters of credit outstanding, respectively.

13. Business Segment Information

The following table presents sales to unaffiliated customers and other financial information by product line segment for the three and nine months ended September 25, 2004 and September 27, 2003.

	Three Months Ended		Nine Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Research Models and Services				
Net sales	$ 111,862	$ 99,079	$ 338,662	$ 304,702
Gross margin	47,022	39,165	145,311	127,104
Operating income	35,836	28,866	110,322	97,902
Depreciation and amortization	4,354	3,959	12,640	11,489
Capital expenditures	6,249	3,450	14,196	13,377
Development and Safety Testing				
Net sales	$ 64,164	$ 52,115	$ 190,194	$ 152,981
Gross margin	22,375	17,327	67,535	46,955
Operating income	12,043	8,667	36,320	16,918
Depreciation and amortization	3,725	3,267	10,972	9,793
Capital expenditures	3,538	1,865	7,915	6,392

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

	Three Months Ended		Nine Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Total segment operating income	$ 47,879	$ 37,533	$ 146,642	$ 114,820
Unallocated corporate overhead	(4,505)	(3,277)	(19,548)	(11,710)
Consolidated operating income	$ 43,374	$ 34,256	$ 127,094	$ 103,110

A summary of unallocated corporate overhead consists of the following:

	Three Months Ended		Nine Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Restricted stock and performance based compensation expense	$ (18)	$ 300	$ 2,225	$ 712
Bonus expense	214	139	2,456	418
Audit, tax and related expenses	746	321	2,892	946
US pension expense	871	1,090	2,612	2,685
Executive officers' salary	396	382	1,195	1,146
Other general unallocated corporate expenses	2,296	1,045	8,168	5,803
	$ 4,505	$ 3,277	$ 19,548	$ 11,710

Other general unallocated corporate expenses consist of various departmental costs including corporate accounting, legal and investor relations.

During the fourth quarter of 2003, the Company revised its consolidated financial reporting segments to better reflect the manner in which the Company's operating units are managed. The Company believed the revision was required because in 2003 a number of changes were made to align related businesses, to focus sales force responsibilities and to simplify management structure. The Company continues to report two segments, now called Research Models and Services (RMS) segment and Development and Safety Testing (DST) segment. The research models business continues to be reported in the RMS segment and transgenic services, laboratory services, contract staffing services and vaccine support services are now reported in the RMS segment. The Company reports development services, including drug safety testing, pathology services and interventional and surgical services, and *in vitro* technology in the DST segment. The changes in segment presentation have no effect on consolidated revenues or net income. Management believes that the new business segments better reflect results of operations and facilitate investors' understanding of the Company's business. Prior year segment information has been reclassified to reflect current year presentation.

14. Subsequent Events

On October 20, 2004, the Company's shareholders approved the merger agreement with Inveresk Research Group, Inc. (Inveresk). The merger strengthens the Company's position as a leading global company providing essential preclinical and clinical drug development services and products. The strategic combination significantly expands the Company's service portfolio and strengthens the Company's global footprint in the growing market for pharmaceutical research and development products and services. Under the terms of the merger agreement, Inveresk shareholders received 0.48 shares of the Company's common stock and $15.15 in cash for each share of Inveresk common stock they own. The purchase price of $1.5 billion consisted of approximately $841 million representing the fair value of the Company's common stock issued, approximately $582 million of cash consideration, the fair value of the Company's stock options exchanged for Inveresk stock options and transaction costs incurred by the Company. The Company utilized approximately $161 million of available cash and $500 million of borrowings under the credit facility for the cash consideration paid to Inveresk shareholders and to pay off Inveresk's existing credit facility of approximately $79 million. As of September 25, 2004, the Company capitalized $5.4 million of legal, deal advisory, accounting and other related service costs associated with the merger. The capitalized costs were recorded in other assets in the condensed consolidated balance sheet.

On October 15, 2004, the Company entered into a credit agreement which provides for a $400 million term loan facility and a $150 million revolving facility. The term loan facility matures in 20 equal quarterly installments, with the first installment payable December 31, 2004 and the last installment due September 30, 2009. The revolver facility matures on October 20, 2009, and requires no scheduled prepayment before that date. The interest rates applicable to term loans and revolving loans under the credit agreement are, at the Company's option, equal to either the base rate (which is the higher of the prime rate or the federal funds rate plus $^1/_2$%) or the adjusted LIBOR rate, in each case plus an interest rate margin based upon the Company's leverage ratio. Based on the leverage ratio of the Company, the margin range for LIBOR-based loans is 1.25% to 1.75%. The credit agreement includes certain customary representations and warranties, negative and affirmative covenants and events of default. The revolving credit agreement entered into on March 31, 2003 was terminated on October 20, 2004.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our condensed consolidated financial statements and the related notes.

Overview

We are a global provider of solutions that advance the drug discovery and development process. Our leading edge products and services are designed to enable our clients to bring drugs to market faster and more efficiently. Backed by our rigorous, best-in-class procedures and our proven data collection, analysis and reporting capabilities, our products and services are organized into two categories spanning every step of the drug development pipeline: Research Models and Services (RMS) and Development and Safety Testing (DST). Our customer base includes all of the major pharmaceutical companies, biotechnology companies, governments and many leading hospitals and academic institutions.

On October 20, 2004, our shareholders approved the merger agreement with Inveresk Research Group, Inc. (Inveresk) for approximately $1.5 billion. The merger strengthens our position as a leading global company providing essential preclinical and clinical drug development services and products. The strategic combination significantly expands our service portfolio and strengthens our global footprint in the growing market for pharmaceutical research and development products and services. The combination with Inveresk creates a company with substantial profitability and strong cash flow, giving us the size and financial stability to support the growing demand for outsourced development services from international pharmaceutical and biotechnology companies. Under the terms of the merger agreement, Inveresk shareholders received 0.48 shares of Charles River common stock and $15.15 in cash for each share of Inveresk common stock they owned.

Our third quarter sales reflect the continued strong spending by major pharmaceuticals, biotechnology companies and academic institutions on our global products and services which aid in their development of new drugs and products. Total net sales in the third quarter of 2004 were $176.0 million, an increase of 16.4% over the same period last year. Our gross margin increased to 39.4% of net sales in the third quarter of 2004, compared to 37.4% of net sales for the same period last year, due to improved utilization as a result of the increased sales in both the RMS and DST segment. Operating income increased 26.6% to $43.4 million in the third quarter of 2004 from $34.3 million for the same period last year. The operating margin increased to 24.6% in the third quarter of 2004 compared to 22.7% last year. Net income was $25.8 million in the third quarter of 2004, a 31.8% increase compared to $19.6 million for the same period last year. Diluted earnings per share for the third quarter of 2004 were $0.51 compared to $0.40 for the same period last year.

On a year to date basis, total net sales were $528.9 million, an increase of 15.6% over the same period last year due to growth in both DST and RMS. Our gross margin increased to 40.2% of total net sales, compared to 38.0% of total net sales for the same period last year. Operating income on a year to date basis increased 23.3% over last year. On a year to date basis, the operating margin increased to 24.0% compared to 22.5% for last year. In the first quarter of 2004, we reorganized our European operations to streamline the legal entity structure in order to improve operating efficiency and cash management, facilitate acquisitions and provide tax benefits. The reorganization, which did not involve reductions of personnel or facility closures, resulted in a one-time, non-cash charge to earnings in the first quarter of 2004 of $7.9 million due primarily to the write-off of a deferred tax asset. In light of this reorganization, we reassessed the valuation allowance associated with our foreign tax credit carryforwards and released $2.1 million as a tax benefit. Last year we implemented a cost savings program for our DST segment which resulted in a severance charge of $1.0 million. Net income on a year to date basis was $69.7 million, including the write-off of the deferred tax asset and the reversal of a valuation allowance, compared to $59.5 million for the same period last year.

Our RMS business segment represented 63.5% of net sales in the third quarter of 2004. Net sales for this segment increased 12.9% over the same period last year. The primary contributors to this growth were price increases and volume with foreign exchange accounting for approximately 3.3% of the increase. We are in the process of adding and evaluating capacity for RMS worldwide. Operating income as a percent of net sales increased to 32.0% compared to 29.1% for last year.

Sales on a year to date basis for our RMS business segment increased 11.1% over the same period last year. The net sales increase drove an improvement in operating income. Operating income was $110.3 million, an increase of $12.4 million, or 12.7%, for the same period last year. Operating income as a percent of net sales increased to 32.6% compared to 32.1% for last year. Operating income for the nine months ending September 27, 2003 included a favorable litigation settlement of $2.9 million.

Our DST segment represented 36.5% of net sales in the third quarter of 2004. Sales for this segment increased 23.1% over the same period last year. Our development services business benefited from favorable market conditions which were evident in strong customer demand for services, particularly toxicology services. The market improvement has reduced the excess capacity and moderated the price sensitivity for services in the third quarter. The DST operating margin improved significantly for the third quarter of 2004 to 18.8%, compared to 16.6% for the same period last year. The increase was primarily due to higher sales and improved capacity utilization.

Sales on a year to date basis for our DST segment increased 24.3% over the same period last year. Operating income increased to 19.1% of net sales through the third quarter of 2004, compared to 11.1% through the third quarter of 2003. Our development services business recovered from the slower demand for toxicology services that we experienced in 2003. We believe the market for toxicology services, which was at a low point during early 2003 has recovered particularly in high-end specialty services. Our efforts to integrate and harmonize the development services business and to focus its sales efforts positioned us to benefit from stronger customer demand for outsourced services, particularly in toxicology. Operating income for the nine months ending September 27, 2003 included an impairment charge of $3.7 million for our contract manufacturing facility and a $1.0 million severance charge.

Three Months Ended September 25, 2004 Compared to Three Months Ended September 27, 2003

Net Sales. Net sales for the three months ended September 25, 2004 were $176.0 million, an increase of $24.8 million, or 16.4%, from $151.2 million for the three months ended September 27, 2003. The increase in net sales was primarily due to continued strong spending by pharmaceutical and biotechnology companies for our global products and services. Favorable foreign currency translation contributed approximately 2.5% to our net sales gain.

Research Models & Services. For the three months ended September 25, 2004, RMS net sales were $111.9 million, an increase of $12.8 million, or 12.9%, compared to $99.1 million for the three months ended September 27, 2003. RMS prices increased approximately 5%. RMS segment volume increased but was negatively impacted by the loss of a significant contract for contract staffing services in the fourth quarter of 2003. Favorable foreign currency translation contributed approximately 3.3% to our net sales gain.

Development & Safety Testing. For the three months ended September 25, 2004, DST net sales were $64.2 million, an increase of $12.1 million, or 23.1%, from $52.1 million for the three months ended September 27, 2003. DST sales increased primarily due to increased customer demand in toxicology services reflecting the overall favorable market conditions. The acquisition of RVF contributed 3.4% to the net sales growth and favorable foreign currency translation contributed approximately 0.9%.

Cost of Products Sold and Services Provided. Cost of products sold and services provided for the three months ended September 25, 2004 was $106.6 million, an increase of $11.9 million, or 12.6%, from $94.7 million for the three months ended September 27, 2003. Cost of products sold and services provided for the three months ended September 25, 2004 was 60.6% of net sales, compared to 62.6% for the three months ended September 27, 2003. The decrease in cost of products sold and services provided as a percent of sales was due primarily to increased capacity utilization in DST and RMS.

Research Models & Services. Cost of products sold and services provided for RMS for the three months ended September 25, 2004 was $64.8 million, an increase of $4.9 million, or 8.2%, compared to $59.9 million for the three months ended September 27, 2003. Cost of products sold and services provided as a percentage of net sales decreased to 58.0% for the three months ended September 25, 2004 from 60.5% for the three months ended September 27, 2003. The decrease in cost of product sold and services provided as a percentage of net sales was primarily due to improved capacity utilization and greater operating efficiencies.

Development & Safety Testing. Cost of products sold and services provided for DST for the three months ended September 25, 2004 was $41.8 million, an increase of $7.0 million, or 20.1%, compared to $34.8 million for the three months ended September 27, 2003. Cost of products sold and services provided for the three months ended September 25, 2004 decreased to 65.1% of net sales compared to 66.8% of net sales for the three months ended September 27, 2003. The decrease in cost of products sold and services provided as a percentage of net sales was due primarily to improved capacity utilization from the increased sales of toxicology services.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended September 25, 2004 were $24.8 million, an increase of $3.8 million, or 18.2%, from $21.0 million for the three months ended September 27, 2003. Selling, general and administrative expenses for the three months ended September 25, 2004 were 14.1% of net sales, compared to 13.9% of net sales for the three months ended September 27, 2003. The increase in selling, general and administrative expenses for the three months ended September 25, 2004 was due primarily to increased professional fees related to compliance with the internal control certification requirements of Sarbanes-Oxley and the Inveresk merger, partially offset by the reversal of the MTI compensation expense.

Research Models & Services. Selling, general and administrative expenses for RMS for the three months ended September 25, 2004 were $11.1 million, an increase of $1.0 million, or 10.4%, compared to $10.1 million for the three months ended September 27, 2003. Selling, general and administrative expenses for the three months ended September 25, 2004 decreased to 10.0% of net sales, compared to 10.2% of net sales for the three months ended September 27, 2003. The decrease in selling, general and administrative expenses as a percentage of net sales for the three months ended September 25, 2004 was primarily due to greater economies of scale.

Development & Safety Testing. Selling, general and administrative expenses for DST for the three months ended September 25, 2004 were $9.2 million, an increase of $1.6 million, or 20.1%, compared to $7.6 million for the three months ended September 27, 2003. Selling, general and administrative expenses for the three months ended September 25, 2004 were 14.3% of net sales, compared to 14.6% for the three months ended September 27, 2003. The decrease in selling, general and administrative expenses as a percent of sales for the three months ended September 25, 2004 was primarily due to our continued ability to manage costs in line with our sales increase.

Unallocated Corporate Overhead. Unallocated corporate overhead, which consists of various corporate expenses including those associated with pension, executive salaries and departments such as corporate accounting, legal and investor relations, was $4.5 million for the three months ended September 25, 2004, compared to $3.3 million for the three months ended September 27, 2003. The increase in unallocated corporate overhead for the three months ended September 25, 2004 was due mainly to costs associated with increased professional fees related to compliance with the internal control certification requirements of Sarbanes-Oxley and the Inveresk merger, partially offset by the reversal of the MTI compensation expense.

Amortization of Other Intangibles. Amortization of other intangibles for the three months ended September 25, 2004 was $1.2 million, which was flat compared to the three months ended September 27, 2003.

Operating Income. Operating income for the three months ended September 25, 2004 was $43.4 million, an increase of $9.1 million, or 26.6%, from $34.3 million for the three months ended September 27, 2003. Operating income for the three months ended September 25, 2004 was 24.6% of net sales, compared to 22.7% of net sales for the three months ended September 27, 2003.

Research Models & Services. For the three months ended September 25, 2004, operating income from our RMS segment was $35.8 million, an increase of $6.9 million, or 24.1%, from $28.9 million for the three months ended September 27, 2003. Operating income for the three months ended September 25, 2004 increased to 32.0% of net sales, compared to 29.1% of net sales for the three months ended September 27, 2003. The increase in operating income for the three months ended September 25, 2004 was primarily due to increased sales and higher gross margins.

Development & Safety Testing. For the three months ended September 25, 2004, operating income from our DST segment was $12.0 million, an increase of $3.3 million, from $8.7 million for the three months ended September 27, 2003. Operating income for the three months ended September 25, 2004 was 18.8% of net sales, compared to 16.6% for the three months ended September 27, 2003. The increase in operating income for the three months ended September 25, 2004 was primarily due to the continued recovery of the market for outsourced development services which resulted in higher sales and greater utilization.

Interest Expense. Interest expense for the three months ended September 25, 2004 was $2.1 million, which was essentially flat compared to the three months ended September 27, 2003.

Income Taxes. Income tax expense for the three months ended September 25, 2004 was $15.8 million, an increase of $3.3 million compared to $12.5 million last year. Our effective tax rate for the three months ended September 25, 2004 was 37.5% compared to the third quarter rate of 38.5% in 2003, due to the benefit of the reorganization of our European operations.

Net Income. Net income for the three months ended September 25, 2004 was $25.8 million, an increase of $6.2 million, or 31.8%, from $19.6 million for the three months ended September 27, 2003.

Nine Months Ended September 25, 2004 Compared to Nine Months Ended September 27, 2003

Net Sales. Net sales for the nine months ended September 25, 2004 were $528.9 million, an increase of $71.2 million, or 15.6%, from $457.7 million for the nine months ended September 27, 2003. The increase in net sales was primarily due to continued strong spending by pharmaceutical and biotechnology companies for our global products and services. Favorable foreign currency translation contributed approximately 3.1% to our net sales gain.

Research Models & Services. For the nine months ended September 25, 2004, RMS net sales were $338.7 million, an increase of $34.0 million, or 11.1%, compared to $304.7 million for the nine months ended September 27, 2003. RMS prices increased approximately 5%. RMS segment volume increased but was negatively impacted by the following factors: the loss of a significant contract for contract staffing services in the fourth quarter of 2003, the bankruptcy of a biotechnology customer and the merger of two customers in the second quarter of 2003. Net sales to these customers for the nine months ended September 25, 2004 declined by more that $8.0 million from the nine months ended September 27, 2003. Favorable foreign currency translation contributed approximately 4.1% to our net sales gain.

Development & Safety Testing. For the nine months ended September 25, 2004, DST net sales were $190.2 million, an increase of $37.2 million, or 24.3%, from $153.0 million for the nine months ended September 27, 2003. DST sales increased in 2004 primarily due to the recovery of our development services business from the slower demand for toxicology services we experienced during 2003. Customer demand has increased from the low point we experienced in the first quarter of 2003. We believe the market capacity is in line with customer demand, moderating price sensitivity. The acquisition of RVF contributed 4.6% to the net sales growth and favorable foreign currency translation contributed approximately 1.2%.

Cost of Products Sold and Services Provided. Cost of products sold and services provided for the nine months ended September 25, 2004 was $316.0 million, an increase of $32.4 million, or 11.4%, from $283.6 million for the nine months ended September 27, 2003. Cost of products sold and services provided for the nine months ended September 25, 2004 was 59.8% of net sales, compared to 62.0% for the nine months ended September 27, 2003. The decrease in cost of products sold and services provided as a percent of sales was due primarily to increased capacity utilization in DST and RMS.

Research Models & Services. Cost of products sold and services provided for RMS for the nine months ended September 25, 2004 was $193.4 million, an increase of $15.8 million, or 8.9%, compared to $177.6 million for the nine months ended September 27, 2003. Cost of products sold and services provided as a percentage of net sales decreased to 57.1% for the nine months ended September 25, 2004 from 58.3% for the nine months ended September 27, 2003. The decrease in cost of product sold and services provided as a percentage of net sales was primarily due to improved capacity utilization and greater operating efficiencies.

Development & Safety Testing. Cost of products sold and services provided for DST for the nine months ended September 25, 2004 was $122.7 million, an increase of $16.7 million, or 15.7%, compared to $106.0 million for the nine months ended September 27, 2003. Cost of products sold and services provided for the nine months ended September 25, 2004 decreased to 64.5% of net sales compared to 69.3% of net sales for the nine months ended September 27, 2003. The decrease in cost of products sold and services provided as a percentage of net sales was due primarily to improved capacity utilization from the increased sales of toxicology services.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended September 25, 2004 were $82.2 million, an increase of $15.7 million, or 23.6%, from $66.5 million for the nine months ended September 27, 2003. Selling, general and administrative expenses for the nine months ended September 25, 2004 were 15.5% of net sales, compared to 14.5% of net sales for the nine months ended September 27, 2003. The increase in selling, general and administrative expenses for the nine months ended September 25, 2004 was due primarily to one-time costs associated with the European reorganization, increased bonus and non-cash stock based compensation expense, severance costs in Europe not related to the European reorganization and increased professional fees including compliance with the internal control certification requirements of Sarbanes-Oxley.

Research Models & Services. Selling, general and administrative expenses for RMS for the nine months ended September 25, 2004 were $34.9 million, an increase of $3.4 million, or 10.7%, compared to $31.5 million for the nine months ended September 27, 2003. Selling, general and administrative expenses for the nine months ended September 25, 2004 remained flat at 10.3% of net sales, compared to the nine months ended September 27, 2003. The increase in selling, general and administrative expenses for the nine months ended September 25, 2004 was primarily due to severance costs in Europe and the impact of foreign exchange, offset by cost savings due to greater economies of scale.

Development & Safety Testing. Selling, general and administrative expenses for DST for the nine months ended September 25, 2004 were $27.7 million, an increase of $4.4 million, or 19.1%, compared to $23.3 million for the nine months ended September 27, 2003. Selling, general and administrative expenses for the nine months ended September 25, 2004 were 14.6% of net sales, compared to 15.2% for the nine months ended September 27, 2003. The decrease in selling, general and administrative expenses as a percent of sales for the nine months ended September 25, 2004 was primarily due to our continued ability to manage costs in line with our sales increase.

Unallocated Corporate Overhead. Unallocated corporate overhead, which consists of various corporate expenses including those associated with pension, executive salaries and departments such as corporate accounting, legal and investor relations, was $19.5 million for the nine months ended September 25, 2004, compared to $11.7 million for the nine months ended September 27, 2003. The increase in unallocated corporate overhead for the nine months ended September 25, 2004 was due to costs associated with the European reorganization, increased bonus and non-cash stock based compensation expense and increased professional fees largely related to our compliance with the internal control certification requirements of Sarbanes-Oxley and the Inveresk merger.

Other Operating Expenses, Net. During the first quarter of 2003, we recorded a $3.7 million charge in Development & Safety Testing associated with the closure of a contract manufacturing facility. Also during 2003, our French subsidiaries settled a breach of contract claim they had asserted against a customer. After legal and related expenses, the net settlement amounted to a gain of approximately $2.9 million in Research Models & Services.

Amortization of Other Intangibles. Amortization of other intangibles for the nine months ended September 25, 2004 was $3.6 million, which was essentially flat compared to the nine months ended September 27, 2003.

Operating Income. Operating income for the nine months ended September 25, 2004 was $127.1 million, an increase of $24.0 million, or 23.3%, from $103.1 million for the nine months ended September 27, 2003. Operating income for the nine months ended September 25, 2004 was 24.0% of net sales, compared to 22.5% of net sales for the nine months ended September 27, 2003.

Research Models & Services. For the nine months ended September 25, 2004, operating income from our RMS segment was $110.3 million, an increase of $12.4 million, or 12.7%, from $97.9 million for the nine months ended September 27, 2003. Operating income for the nine months ended September 25, 2004 increased to 32.6% of net sales, compared to 32.1% of net sales for the nine months ended September 27, 2003. The increase in operating income for the nine months ended September 25, 2004 was primarily due to increased sales and higher gross margin partially offset by the prior year gain on the settlement of a breach of contract claim of $2.9 million, or 1.0% of sales.

Development & Safety Testing. For the nine months ended September 25, 2004, operating income from our DST segment was $36.3 million, an increase of $19.4 million, more than double the $16.9 million for the nine months ended September 27, 2003. Operating income for the nine months ended September 25, 2004 was 19.1% of net sales, compared to 11.1% for the nine months ended September 27, 2003. The increase in operating income for the nine months ended September 25, 2004 was primarily due to the continued recovery of the market for outsourced development services and the prior year charge associated with the closure of a contract manufacturing facility of $3.7 million, or 2.4% of sales.

Interest Expense. Interest expense for the nine months ended September 25, 2004 was $6.3 million, essentially flat compared to the nine months ended September 27, 2003.

Income Taxes. Income tax expense for the nine months ended September 25, 2004 was $52.0 million, an increase of $14.1 million compared to $37.9 million last year. Our effective tax rate for the nine months ended September 25, 2004 was 42.2%. Excluding charges associated with the deferred tax write-off and the benefit from the reversal of the valuation allowance, the effective tax rate for the nine months ended September 25, 2004 was 37.5%, compared to the rate of 38.5% for the nine months ended September 27, 2003, due to the benefit of the reorganization of our European operations.

Net Income. Net income for the nine months ended September 25, 2004 was $69.7 million, an increase of $10.2 million, or 17.2%, from $59.5 million for the nine months ended September 27, 2003. Net income for the nine months ended September 25, 2004 included charges associated with the write-off of the deferred tax asset of $7.9 million and the benefit from the reversal of a valuation allowance of $2.1 million.

Liquidity and Capital Resources

The following discussion analyzes liquidity and capital resources by operating, investing and financing activities as presented in our condensed consolidated statements of cash flows.

Our principal sources of liquidity have been our cash flows from operations, our revolving line of credit arrangements, and proceeds from our debt and equity offerings.

On October 20, 2004, our shareholders approved the merger agreement with Inveresk Research Group, Inc. (Inveresk). The merger strengthens our position as a leading global company providing essential preclinical and clinical drug development services and products. The strategic combination significantly expands our service portfolio and strengthens our global footprint in the growing market for pharmaceutical research and development products and services. Under the terms of the merger agreement, Inveresk shareholders received 0.48 shares of our common stock and $15.15 in cash for each share of Inveresk common stock they own. The purchase price of $1.5 billion consisted of approximately $841 million representing the fair value of our common stock issued, approximately $582 million of cash consideration, the fair value of our stock options exchanged for Inveresk stock options and transaction costs incurred by us. We utilized approximately $161 million of available cash and $500 million of borrowings under the credit facility for the cash consideration paid to Inveresk shareholders and to pay off Inveresk's existing credit facility of approximately $79 million. As of September 25, 2004, we capitalized $5.4 million of legal, deal advisory, accounting and other related service costs associated with the merger. The capitalized costs were recorded in other assets in the condensed consolidated balance sheet.

On October 15, 2004, we entered into a credit agreement which provides for a $400 million term loan facility and a $150 million revolving facility. The term loan facility matures in 20 equal quarterly installments, with the first installment payable December 31, 2004 and the last installment due September 30, 2009. The revolver facility matures on October 20, 2009, and requires no scheduled prepayment before that date. The interest rates applicable to term loans and revolving loans under the credit agreement are, at our option, equal to either the base rate (which is the higher of the prime rate or the federal funds rate plus $^1/_2$%) or the adjusted LIBOR rate, in each case plus an interest rate margin based upon our leverage ratio. Based on our leverage ratio, the margin range for LIBOR-based loans is 1.25% to 1.75%. The credit agreement includes certain customary representations and warranties, negative and affirmative covenants and events of default. The revolving credit agreement entered into on March 31, 2003 was terminated on October 20, 2004.

On January 8, 2004, we acquired River Valley Farms, Inc. (RVF), a privately held medical device contract research business. Consideration, including acquisition expenses, was $17.0 million, net of cash acquired of $0.3 million. RVF was acquired to strengthen the service offerings of our DST segment.

On March 31, 2003, we entered into a revolving credit agreement which matures on March 31, 2006. The agreement permits us to borrow up to $100.0 million at an interest rate based on, at the Company's option, the greater of either the Prime Rate, the Base CD Rate plus 1%, and the Federal Funds Effective Rate plus 0.5%, or LIBOR multiplied by the Statutory Reserve Rate plus a spread of 1.25% to 2.50% based on our leverage ratio and the aggregate borrowing under the revolving credit agreement. Interest is payable based on our selected interest rate, which ranges from monthly to semi-annually. The credit agreement requires us to pay a quarterly commitment fee which ranges from 25 through 50 basis points on the undrawn balance based on our leverage ratio. The agreement also requires us to remain in compliance with certain financial ratios as well as other restrictive covenants. Some of the restrictive covenants limit our ability to acquire companies, increase our debt and pay dividends. The revolving credit agreement will be terminated upon closing of the Inveresk transaction. There were no amounts outstanding under the credit agreement as of September 25, 2004. This credit agreement was cancelled on October 20, 2004.

Effective January 2, 2003, we acquired an additional 19% of the equity (404,321 common shares) of our then 66% equity joint venture company, Charles River Japan, from Ajinomoto Company, Inc. The purchase price for the equity was 1.3 billion yen, or $10.8 million, which was paid in cash.

In connection with the acquisition of Springborn Laboratories, Inc. in 2002, we entered into a $6.0 million three-year unsecured subordinated note. The note was payable in three equal annual installments of principal, together with interest accrued in arrears commencing on October 1, 2003. The note was repaid in full during 2003.

We anticipate that our operating cash flows will be sufficient to meet our anticipated future operating expenses, capital expenditures and debt service obligations as they become due. We currently intend to retain any earnings to finance future operations, expansion and acquisitions. Charles River Laboratories International, Inc. is a holding company with ownership of 100% of the common stock of its subsidiary, Charles River Laboratories, Inc.

Cash and cash equivalents totaled $259.4 million at September 25, 2004, compared to $182.3 million at December 27, 2003.

Net cash provided by operating activities for the nine months ended September 25, 2004 and September 27, 2003 was $110.2 million and $84.5 million, respectively. The increase in cash provided by operating activities was primarily due to increased net income, the non-cash write-off of the deferred tax asset in the first quarter and increased accrued compensation. Our days sales outstanding improved to 66 days as of September 25, 2004 compared to 67 days as of December 27, 2003, but increased from 65 days as of September 27, 2003.

Net cash used in investing activities for the nine months ended September 25, 2004 and September 27, 2003 was $39.9 million and $45.6 million, respectively. For the nine months ended September 25, 2004, we used $22.1 million for capital expenditures and $17.0 million to acquire RVF. This compared to 2003 during which we paid $10.8 million for the acquisition of an additional 19% of the equity of Charles River Japan and $19.8 million for capital expenditures. In 2004, we made capital expenditures in RMS and DST which were $14.2 million and $7.9 million, respectively. We anticipate that future capital expenditures will be funded by cash provided by operating activities. For fiscal 2004, we project capital expenditure to be approximately $40 million.

Net cash provided by financing activities for the nine months ended September 25, 2004 and September 27, 2003 was $8.1 million and $1.5 million, respectively. Proceeds from exercises of employee stock options amounted to $10.7 million and $2.5 million for the nine months ended September 25, 2004 and September 27, 2003, respectively. During the first quarter of 2004, we borrowed and repaid $94.0 million as part of our European reorganization. In 2003, payments on long term debt and capital lease obligations were ($6.1) million and proceeds were $6.8 million for the nine months ended September 27, 2003.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements during the nine months ended September 25, 2004.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Certain of our financial instruments are subject to market risks, including interest rate risk and foreign currency exchange rates. We generally do not use financial instruments for trading or other speculative purposes.

Interest Rate Risk

The fair value of our marketable securities is subject to interest rate risk and will fall in value if market interest rates increase. If market rates were to increase immediately and uniformly by 100 basis points from levels at September 25, 2004, then the fair value of the portfolio would decline by approximately $0.1 million.

On October 15, 2004, We entered into a credit agreement which provides for a $400 million term loan facility and a $150 million revolving facility. 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 loan 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 would be approximately $5 million on a pre-tax basis.

The fair value of long-term fixed interest rate debt is subject to interest rate risk. In addition, the fair value of our senior convertible debentures would be impacted by our stock price. The estimated fair value of our long-term debt at September 25, 2004 was $227.5 million. Fair values were determined from available market prices, using current interest rates and terms to maturity.

Our senior convertible debentures accrue interest at an initial rate of 3.5%, which will be reset (but not below the initial rate of 3.5% or above 5.25%) on August 1, 2007, August 1, 2012 and August 1, 2016. Fluctuations in interest rates will not affect the interest payable on the senior convertible debentures, which is fixed through August 1, 2007.

Foreign Currency Exchange Rate

We also have exposures 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 principally conducted in their respective local currencies. With the closing of the Inveresk merger, a portion of our revenue will be denominated in U.S. dollars with the costs in their respective local currencies.

Item 4. Controls and Procedures

Based on their evaluation, required by paragraph (b) of Rules 13a-15 or 15d-15, promulgated by the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act are effective as of September 25, 2004 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of the Exchange Act Rules 13a-15 or 15d-15 that occurred during the quarter ended September 25, 2004 that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 6. Exhibits

Exhibits.

2.1	Agreement and Plan of Merger, dated as of June 30, 2004, among Charles River Laboratories International, Inc., Inveresk Research Group, Inc., Indigo Merger I Corp., and Indigo Merger II Corp. (1)
10.1	Agreement and Plan of Merger, dated as of June 30, 2004, among Charles River Laboratories International, Inc., Inveresk Research Group, Inc., Indigo Merger I Corp., and Indigo Merger II Corp. (1)
10.2	Senior Secured Credit Facilities Commitment Letter, dated June 30, 2004, among Charles River Laboratories International Inc., J.P. Morgan Securities Inc., JPMorgan Chase Bank and Credit Suisse First Boston. (2)
10.3	Form of Award Agreement under 2000 Incentive Plan. Filed herewith.
10.4	Form of Restricted Stock Award Agreement under 2000 Incentive Plan. Filed herewith.
10.5	Mid-Term Incentive Plan. Filed herewith.
10.6	Mid-Term Incentive Plan Agreement. Filed herewith.
10.7	Consulting Agreement, dated August 18, 2004, entered into by Charles River Laboratories International, Inc. and Mr. Dennis R. Shaughnessy. Filed herewith.
10.8	Credit Agreement, dated as of October 15, 2004, among Charles River Laboratories International, Inc., the lenders party thereto, JPMorgan Chase Bank, as administrative agent, Credit Suisse First Boston, Cayman Islands Branch, as syndicated agent, and Fleet National Bank, Citizens Bank of Massachusetts and Wachovia Bank, National Association, as co-documentation agents. (3)
10.9	Inveresk Research Group, Inc. 2002 Stock Option and Incentive Compensation Plan (Amended and Restated as of May 4, 2004). (4)
10.10	Inveresk Research Group, Inc. 2002 Non-Employee Directors Stock Option Plan. (4)
10.11	Form of Canadian Option Agreement. Filed herewith.
31.1	Certification of the Principal Executive Officer required by Rule 13a-14(a) or 15d-14(a) of the Exchange Act. Filed herewith.
31.2	Certification of the Principal Financial Officer required by Rule 13a-14(a) or 15d-14(a) of the Exchange Act. Filed herewith.
32.1	Certification of the Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(a) or 15d-14(a) of the Exchange Act. Filed herewith.

(1) Previously filed as an exhibit to the Company's Current Report on Form 8-K, filed July 1, 2004.

(2) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q, filed August 4, 2004.

(3) Previously filed as an exhibit to the Company's Current Report on Form 8-K, filed October 20, 2004.

(4) Previously filed as an exhibit to the Company's Registration Statement on Form S-8, filed October 20, 2004.

SIGNATURES

Pursuant to the requirements 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.
October 29, 2004	/s/ JAMES C. FOSTER
	James C. Foster *Chairman, Chief Executive Officer and President*
October 29, 2004	/s/ THOMAS F. ACKERMAN
	Thomas F. Ackerman *Senior Vice President and Chief Financial Officer*

Exhibit 10.3

2004 Award Letter

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Incentive Stock Option
GRANTED UNDER 2000 INCENTIVE PLAN

THE COMPANY'S MOST RECENT ANNUAL REPORT TO SHAREHOLDERS CONTAINING THE COMPANY'S AUDITED FINANCIAL STATEMENTS FOR THE LAST THREE YEARS AND ITS ANNUAL REPORT ON FORM 10-K IS AVAILABLE ON THE COMPANY'S WEBSITE AT http://www.criver.com. YOU ARE URGED TO REVIEW THOSE DOCUMENTS BEFORE MAKING A DECISION WHETHER OR NOT TO EXERCISE YOUR STOCK OPTIONS.

Incentive Stock Option granted by Charles River Laboratories International, Inc., a Delaware corporation ("Charles River"), to (FIRST NAME) (LAST NAME) an employee of Charles River or its subsidiaries (the "Employee"), pursuant to the Company's 2000 Incentive Plan (the "Plan"). All initially capitalized terms used herein shall have the meaning specified in the Plan, unless another meaning is specified herein.

1. GRANT OF OPTION.

This certificate evidences the grant by Charles River on (DATE) to the Employee of an option to purchase, in whole or in part, on the terms herein provided, a total of XXX SHARES of common stock of Charles River (the "Shares") at $XX.XX per share, which is not less than the fair market value of the Shares on the date of grant of this option. The Final Exercise Date of this option (as that term is used in the Plan) is (DATE). It is intended that the option evidenced by this certificate shall be an incentive stock option as defined in section 422 of the Internal Revenue Code of 1986, as amended from time to time (the "Code").

This option is exercisable in the following cumulative installments prior to the Final Exercise Date:

XXX SHARES on and after (DATE);
XXX SHARES on and after (DATE); and
XXX SHARES on and after (DATE).

Notwithstanding the foregoing, upon termination of the Employee's employment with the Company, any portion of this option that is not then exercisable shall promptly expire and the remainder of this option shall remain exercisable only for such period, if any, as is specified in the Plan.

2. EXERCISE OF OPTION.

(a) Each election to exercise this option shall be made by contacting UBS Financial Services at 800-820-9296 (in the U.S.) or 201-272-7566 (outside the U.S.) or via the internet at https://cefs.ubs.com/CRL. The purchase price may be paid by delivery of cash, certified check, bank draft, money order, unrestricted common stock of Charles River that the Employee has held for at least six months, or, upon and following an initial public offering of Charles River, an unconditional and irrevocable undertaking by a broker acceptable to Charles River to deliver promptly to Charles River sufficient funds to pay the exercise price. In the event that this option is exercised by the Employee's Legal Representative, Charles River shall be under no obligation to deliver Shares hereunder unless and until it is satisfied as to the authority of the person or persons exercising this option.

(b) EXERCISE PERIOD UPON TERMINATION OF EMPLOYMENT. If the Employee ceases to be an employee of the Company, the Employee may at any time within a period of three (3) months after the date of such employment termination or cessation (but prior to the expiration of the option) exercise the option to the extent that the option was exercisable on the date of such employment termination or cessation.

(c) EXERCISE PERIOD IN THE EVENT OF DEATH. If the Employee dies while in the employ of the Company, the option, to the extent that the Employee was entitled to exercise it on the date of death, may be exercised within a period of one year after the Employee's death by the person or persons to whom the Employee's rights under the option shall pass by will or by the laws of descent and distribution.

3. NOTICE OF DISPOSITION.

The person exercising this option shall notify Charles River when making any disposition of the Shares acquired upon exercise of this option, whether by sale, gift or otherwise.

4. RESTRICTIONS ON TRANSFER OF SHARES.

If at the time this option is exercised Charles River is a party to any agreement restricting the transfer of any outstanding shares of its Common Stock, this option may be exercised only if the Shares so acquired are made subject to the transfer restrictions set forth in that agreement (or if more than one such agreement is then in effect, the agreement specified by the Board of Directors).

5. WITHHOLDING; AGREEMENT TO PROVIDE SECURITY.

If at the time this option is exercised the Company determines that under applicable law and regulations the Company could be liable for the withholding of any federal or state tax upon exercise or with respect to a disposition of any Shares acquired upon exercise of this option, this option may not be exercised unless the person exercising this option remits to the Company any amounts required to be withheld upon exercise and gives such security as the Company deems adequate to meet the potential liability of the Company for the withholding of tax upon a disposition of the Shares (and agrees to augment such security from time to time in any amount reasonably determined by the Company to be necessary to preserve the adequacy of such security).

6. NONTRANSFERABILITY OF OPTION.

This option is not transferable by the Employee otherwise than by will or the laws of descent and distribution, and is exercisable during the Employee's lifetime only by the Employee.

7. NO EMPLOYMENT COMMITMENT; RIGHTS AS A STOCKHOLDER.

Nothing herein contained or contained in the Plan shall be deemed to be or constitute an agreement or commitment by the Company to continue to employ the Employee for the period within which this option may be exercised. The Employee acknowledges and agrees that his or her employment with the Company shall remain on an "at will" basis and that the Company may terminate the employment of the Employee with or without cause at any time. The Employee shall have no rights as a stockholder with respect to the shares subject to the option until the proper exercise of the option and the issuance of a stock certificate for the option Shares with respect to which the option shall have been exercised.

8. PROVISIONS OF THE PLAN.

This option award is subject to the terms and provisions of the 2000 Incentive Plan, a copy of which has been made available to Employee and additional copies of which are available upon request by Employee. Information about the Plan is also included in the Prospectus for the Plan, available on the Company's Intranet site.

IN WITNESS WHEREOF, the Company has caused this option to be executed under its corporate seal by its duly authorized officer. This option shall take effect as a sealed instrument.

CHARLES RIVER LABORATORIES
INTERNATIONAL, INC.

By ______________________________
James C. Foster
Chairman, President & CEO

Dated:

Exhibit 10.4

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
GRANTED UNDER 2000 INCENTIVE PLAN

RESTRICTED STOCK AWARD

Unless defined in this Restricted Stock Award (this "AWARD DOCUMENT"), capitalized terms will have the same meanings ascribed to them in the Charles River Laboratories International, Inc. 2000 Incentive Plan (the "PLAN").

Pursuant to Section 4(c) of the Plan, you have been granted restricted shares of Common Stock on the following terms and subject to the provisions of the Plan, which is incorporated by reference. In the event of a conflict between the provisions of the Plan and this Award Document, the provisions of the Plan will prevail.

NAME:	((Firstname))((Last_Name))
TOTAL NUMBER OF SHARES GRANTED:	((RS)) Shares
FAIR MARKET VALUE PER SHARE:	$xx.xx per Share
TOTAL FAIR MARKET VALUE OF AWARD:	((Market))
DATE OF GRANT:	((Date))
VESTING SCHEDULE:	o The first 33% of the total number of shares granted will vest upon your completion of a total 12 months of continuous service. o An additional 33% of the shares will vest upon your completion of a total of 24 months of continuous service from the Date of Grant. o The final 34% of the shares will vest upon your completion of a total of 36 months of continuous service from the Date of Grant.

By your signature and the signature of the Company's representative below, you and the Company agree that these shares are granted under and governed by the terms and conditions of the Plan and the terms and conditions set forth in the attached EXHIBIT A.

RECIPIENT	CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
- ------------------------------------	--------------------------------
((Firstname))((Last_Name))	James C. Foster Chairman, President & CEO

EXHIBIT A

TERMS AND CONDITIONS OF
RESTRICTED STOCK AWARD

PAYMENT FOR SHARES

No payment is required for the Shares that you receive under this Award.

VESTING

The Shares that you receive under this Award will vest in accordance with the "Vesting Schedule" set forth in the Award Document.

Unless prohibited by Applicable Laws, vesting of the Shares that you receive under this Award will be tolled during any unpaid leave of absence.

RESTRICTED STOCK

Unvested Shares that you receive under this Award will be considered "RESTRICTED STOCK". You may not sell, transfer, pledge or otherwise dispose of, make any short sale of, grant any option for the purchase of or enter into any hedging or similar transaction with the same economic effect as a sale, any Restricted Stock, except as provided in the next paragraph.

Except as otherwise provided in the Plan, Restricted Stock will not be transferable by you other than by will or by the laws of descent and distribution. With the consent of the Committee, you may transfer Restricted Stock to: (i) your spouse, children or grandchildren ("IMMEDIATE FAMILY MEMBERS"), (ii) a trust or trusts for the primary benefit of you and/or any or all of such Immediate Family Members or (iii) a partnership or other entity in which you and/or any or all of such Immediate Family Members or trusts are the only partners or equity participants; PROVIDED that a transferee of Restricted Stock must agree in writing on a form prescribed by the Company to be bound by all provisions of this Award Document and subsequent transfers of Restricted Stock will be prohibited except those in accordance with the Plan. Following transfer, Restricted Stock will continue to be subject to the same terms and conditions as were applicable immediately before transfer, and the events of termination of the section below entitled "Termination" will continue to be applied with respect to you.

TERMINATION

If you cease to be an employee of the Company or an Affiliate for any reason, then (1) you will forfeit all of the unvested Restricted Stock that you receive under this Award without any consideration and (2) such shares of unvested Restricted Stock covered by this Award will revert to the Plan.

STOCK CERTIFICATES

Your Restricted Stock will be held for you by the Company. Upon the vesting of your Restricted Stock, a stock certificate for those shares which have vested will be released to you.

WITHHOLDING TAXES

No stock certificates will be released to you unless you have made acceptable arrangements to pay any withholding taxes that may be due as a result of receipt of this Award or the vesting of the Restricted Stock that you receive under this Award. These arrangements may include withholding of Restricted Stock that otherwise would be released to you when they vest or surrendering of Restricted Stock that you already own. The Fair Market Value of Restricted Stock that are withheld or that you surrender, determined as of the date when the taxes otherwise would have been withheld in cash, will be applied as a credit against the taxes.

LOCK-UP PERIOD

You hereby agree that you will not sell, transfer, pledge, otherwise dispose, make any short sale of, grant any option for the purchase of or enter into any hedging or similar transaction with the same economic effect as a sale, any Restricted Stock (or other securities of the Company) held by you (other than those included in the registration) for a period specified by the representative of the underwriters of the Common Stock (or other securities of the Company) not to exceed 180 days following the effective date of a registration statement of the Company filed under the Securities Act.

You agree to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, you will provide, within 10 days of the request, the information required by the Company or the representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this section entitled "Lock-Up Period" will not apply to a registration relating solely to employee benefit plans on Form S-3 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the Shares (or other securities) subject to the foregoing restriction until the end of the 180-day period.

NO GUARANTEE OF CONTINUED SERVICE

YOU ACKNOWLEDGE AND AGREE THAT THE VESTING OF SHARES PURSUANT TO THE "VESTING SCHEDULE" HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE AT WILL OF THE COMPANY. YOU FURTHER ACKNOWLEDGE AND AGREE THAT THIS AWARD DOCUMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE "VESTING SCHEDULE" DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED EMPLOYMENT FOR THE VESTING PERIOD, FOR ANY PERIOD OR AT ALL AND WILL NOT INTERFERE IN ANY WAY WITH YOUR RIGHT OR THE COMPANY'S RIGHT TO TERMINATE YOUR EMPLOYMENT AT ANY TIME, WITH OR WITHOUT CAUSE.

ENTIRE AGREEMENT; GOVERNING LAW

The Plan and this Award Document constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and you with respect to the subject matter hereof. This Award Document may not be modified in a manner that is materially adverse to your interest except by means of a writing signed by the Company and you. This Award Document is governed by the internal substantive laws but not the choice of law rules of Delaware.

BY SIGNING THE AWARD DOCUMENT, YOU ACKNOWLEDGE RECEIPT OF A COPY OF THE PLAN AND REPRESENT THAT YOU ARE FAMILIAR WITH THE TERMS AND CONDITIONS OF THE PLAN, AND HEREBY ACCEPT THIS AWARD SUBJECT TO ALL PROVISIONS IN THIS AWARD DOCUMENT AND IN THE PLAN. YOU HEREBY AGREE TO ACCEPT AS FINAL, BINDING AND CONCLUSIVE ALL DECISIONS OR INTERPRETATIONS OF THE COMMITTEE UPON ANY QUESTIONS ARISING UNDER THE PLAN OR THIS AWARD DOCUMENT.

Exhibit 10.5

MID-TERM INCENTIVE PROGRAM OVERVIEW

INTRODUCTION

The Mid-Term Incentive ("MTI") Program for Officers and senior managers of Charles River Laboratories International, Inc. and its affiliated divisions (the "Program") is designed to provide mid-term financial incentives to those executives, senior managers, and key employees who are expected to contribute significantly to the future growth and success of Charles River. The Program is also intended to complement Charles River's annual stock option award program, and to more closely align the performance objectives of participants with Charles River's ongoing 3-year Strategic Plan objectives. The Program is specifically intended to attract and retain talented individuals with desired skills in an increasingly competitive labor market. Annual awards are made to eligible participants through the execution of a Mid-Term Performance Units Agreement ("MTI Agreement") between Charles River and the participant.

THE PROGRAM

- ELIGIBILITY

Participation in the Program for the current year (FY2004) is limited to employees in Charles River Salary Grades 92 and higher (or, in the case of recent acquisitions, salary grade equivalents). Eligible employees are entitled to participate on a global basis, and must be actively employed by the company at the time annual awards are made under the MTI Program in order to be eligible for an award during that year. Charles River's President & CEO has the right to exclude otherwise qualified employees from the Program if they are eligible for alternate forms of incentive compensation (e.g., participation in a post-acquisition earn-out).

- BASIC PROGRAM DESIGN

Each participant's performance is measured against financial or other approved objectives established for the corporation as part of its 3-year Strategic Plan. Corporate revenue and operating income objectives are typically used and are weighted equally to ensure that incentives are appropriately aligned with revenue growth and profitability objectives. Financial performance measures for each award year are taken directly from the 3-year Strategic Plan that commences that year, following review and approval by the Board of Directors in conjunction with the annual Strategic Planning process and, as required, by the Compensation Committee of the Board.

Incentive awards payable under the Program are determined by multiplying the participant's Unit Award by his or her overall MTI Award Percentage (see below).

BONUS CALCULATIONS

Each participant in the MTI Program is awarded a certain number of Performance Units following approval by the Compensation Committee. At the conclusion of the 3-year Strategic Plan period referenced in the MTI Agreement, the corporation's performance against sales and operating income objectives is evaluated using a matrix attached to the participant's MTI Agreement. The percentage payout yielded by this matrix determines a participant's MTI Award Percentage. Depending on performance, the number of units will be adjusted by the MTI Award Percentage per the terms of his/her MTI Agreement. Adjusted unit awards can range from zero to 200% of target.

If the unit award adjustment results in the award of performance units, within sixty (60) days of the conclusion of the 3-year performance period, the participant will receive:

1. A cash payment in a gross amount equal to 40% of the then-current aggregate value of the award, less appropriate deductions; and

2. A restricted stock award equal to 60% of the then-current aggregate value of the award, which will vest in equal installments over two years from the date the 3-year performance period concludes.

ATTACHMENT I to this Overview provides an example of how an award would be calculated and paid to an MTI Program participant.

This Overview is intended to provide only a brief summary of some of the significant features of the MTI Program and is not intended to fully summarize your award agreement. You should read your specific Mid-Term Performance Units Agreement in its entirety to ensure that you are familiar with and understand the terms of your award.

If you have any questions regarding the MTI Program, please contact the Sr. Vice President, Human Resources & Administration.

April 15, 2004

Exhibit 10.6

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
2000 INCENTIVE PLAN
MID-TERM PERFORMANCE UNITS AGREEMENT

THIS MID-TERM PERFORMANCE UNITS AGREEMENT (the "Agreement") is made and entered into as of April __, 2004, between Charles River Laboratories International, Inc., a Delaware corporation (the "Company") and _______________ (the "Employee") pursuant to the terms and conditions of the Charles River Laboratories International, Inc. 2000 Incentive Plan, as amended (the "Plan"). Capitalized terms not defined in this Agreement shall have the respective meanings set forth in the Plan.

THE PARTIES AGREE AS FOLLOWS:

1. AWARD OF PERFORMANCE UNITS. Pursuant to the Plan, the Company hereby awards to Employee ______ Performance Units, each corresponding to one share of Company common stock (the "Stock") for purposes of determining the Employee's award hereunder, subject to the terms and conditions set forth in this Agreement and the Plan, and to adjustment as provided in Section 2 hereof. A copy of the Plan has been delivered to the Employee. By signing below, the Employee agrees to be bound by all the provisions of the Plan as well as this Agreement. Until settled in accordance with the terms and conditions hereof, each Unit constitutes an unsecured promise of the Company to pay the amounts contemplated herein, and Employee as a holder of any Unit has only the rights of a general unsecured creditor of the Company.

2. PERFORMANCE ADJUSTMENT; SETTLEMENT AND VESTING SCHEDULE.

(a) PERFORMANCE ADJUSTMENT. At the end of the Performance Period (defined below), the number of Units granted hereunder shall be subject to adjustment based upon an evaluation by the Compensation Committee of the Company's Board of Directors (the "Committee") of the Company's performance against specified 3-year performance objectives by reference to the matrix attached hereto as EXHIBIT A. Subject to Section 5 hereof, performance shall be evaluated during the 36-month period commencing January 1, 2004 and ending December 31, 2006 (the "Performance Period"). The Committee shall determine the Company's performance by reference to the performance matrix set forth in EXHIBIT A during the Performance Period, and shall adjust the number of Units awarded to Employee in accordance with such matrix. To the extent that any adjustment would result in the award of a fractional share, the Employee shall receive cash in lieu thereof in an amount equal to (i) the fractional percentage of a share that would otherwise be awarded MULTIPLIED BY (ii) the then-current Fair Market Value of one share of Stock.

(b) SETTLEMENT OF AWARDS. No later than sixty (60) days after the conclusion of the Performance Period, the Committee shall determine the appropriate adjustment to Employee's performance award. Unless otherwise provided herein or in the Plan, following a determination by Committee of the number of Units due an Employee at the conclusion of the Performance Period, those Units shall be cancelled upon the delivery to Employee by the Company of (i) 60% of the Units' aggregate value in restricted stock (subject to the terms of the Company's standard form of restricted stock agreement and the vesting conditions set forth in Section 2(c) below), and (ii) the remaining 40% of such value in cash, based on the then-current Fair Market Value of the Stock.

(c) VESTING OF RESTRICTED STOCK. Subject to Sections 4 and 5 hereof, the terms of the Company's standard form of restricted stock agreement, and the authority of the Committee in its discretion to provide for accelerated vesting, 50% of the shares of restricted stock delivered in settlement of an Employee's performance Unit award (as adjusted) shall vest on each of the first and second anniversaries of the last day of the Performance Period.

3. RESTRICTIONS. Except to the extent otherwise determined by the Committee, no Units shall be assignable or otherwise transferable by Employee other than by will or by the laws of descent and distribution. Unless otherwise provided by the Committee, during the life of Employee any elections with respect to a Unit may be made only by Employee or Employee's guardian or legal representative. All restricted shares delivered in settlement of Unit awards hereunder shall remain restricted and non-transferable until they vest in accordance with the terms of this Agreement.

4. TERMINATION OF EMPLOYMENT.

(a) Except to the extent provided in Section 5 hereof, or in any employment agreement or severance agreement between Employee and the Company which, in each case, expressly references this Agreement and supercedes it, the provisions of this Section 4 shall apply to the Units (or any restricted stock related thereto) upon a termination of Employee's employment with the Company for any reason.

(b) In the event of Employee's Termination for any reason other than as provided in Section 5 below, all unvested Units held by the Employee shall be immediately cancelled.

5. COVERED TRANSACTIONS. In the event of a Covered Transaction (as defined below), all Units and shares of restricted stock shall vest, and shall be settled in accordance with the terms of the Plan, subject to the authority of the Administrator to provide for substitute or replacement Awards from, or the assumption of Awards by, the acquiring or surviving entity or its affiliates on such terms as the Administrator determines.

6. DEFINITIONS. For purposes of this Agreement, the following definitions shall have the meanings attributable to them:

(a) "Covered Transaction" means any of (i) a consolidation or merger in which the Company is not the surviving corporation or which results in any individual, entity or group (within the meaning of section 13(d) of the Securities Exchange Act of 1934) acquiring the beneficial ownership (within the meaning of rule 13d-3 promulgated under the Exchange Act) directly or indirectly of more than 50% of either the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, (ii) a sale or transfer of all or substantially all the Company's assets, or (iii) a dissolution or liquidation of the Company.

(b) "Fair Market Value" means the closing sale price per share of the Company's common stock reported on a consolidated basis for securities listed on the principal stock exchange or market on which the common stock is traded as of January 31st in the relevant year, or, if there is no sale on that date, then on the last previous day on which a sale was reported.

7. WITHHOLDING TAX. Employee may be subject to withholding taxes as a result of delivery of shares of common stock or payment of cash upon payment or settlement of Units, or upon the vesting of any restricted shares. Unless the Committee permits otherwise, Employee shall pay to the Company in cash, promptly when the amount of such obligations become determinable, all

applicable federal, state, local and foreign withholding taxes that the Company in its discretion determines result from such payments. Unless the Committee otherwise determines, and subject to such rules and procedures as the Committee may establish, Employee may make an election to have settlement of Units withheld by the Company upon settlement thereof or to tender shares of Stock to the Company to pay the amount of tax that the Company in its discretion determines to be required so to be withheld by the Company, subject to satisfying any applicable requirements for compliance with Section 16(b) of the Securities and Exchange Act of 1934, as amended. Any shares of Stock or other securities so withheld or tendered will be valued as of the date they are withheld or tendered, provided that Stock shall be valued at Fair Market Value on such date. Unless otherwise permitted by the Committee, the value of shares withheld or tendered may not exceed the required federal, state, local and foreign withholding tax obligations as computed by the Company.

8. GOVERNING LAW. This Agreement shall be governed by the laws of the Commonwealth of Massachusetts, without regard to conflict of law principles.

9. CONFLICTS. In the event of any conflict of interpretation between the terms and conditions of this Agreement and the terms and conditions contained in the Plan, the Plan shall control. In the event of any conflict of interpretation between the terms and conditions of this Agreement and the terms and conditions of any Change in Control Agreement, the terms of the Change in Control Agreement shall prevail.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

By: _________________________________

Employee hereby accepts and agrees to be bound by all of the terms and conditions of this Agreement and the Plan.

Signature

Print Name

Enclosures: Plan

Exhibit 10.7

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement"), made this 18th day of August, 2004, is entered into by Charles River Laboratories International, Inc., with its principal place of business at 251 Ballardvale Street, Wilmington, Massachusetts 01887 (the "Company"), and Mr. Dennis R. Shaughnessy, an individual residing at, 92 Old Right Road, Ipswich, Massachusetts 01938 (the "Consultant").

INTRODUCTION

The Company desires to retain the services of the Consultant and the Consultant desires to perform certain services for the Company. The Company acknowledges that the Consultant will be serving under a faculty appointment at Northeastern University's College of Business Administration during the consulting period, and accordingly his services to the Company will be limited by the terms of his appointment. In consideration of the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. SERVICES. The Consultant agrees to perform consulting services to and for the Company in the area of corporate development, and more specifically in the identification, development and negotiation of merger and acquisition opportunities in support of the Company's executive responsible for the corporate development function, as may be reasonably requested from time to time by the Company's Chief Executive Officer. Consultant's principal engagement will be the project specified on EXHIBIT A. Such services will be provided on a mutually agreeable schedule, and shall not exceed four days per month during the academic year (September through April). Consultant will be provided with reasonable and appropriate out-of-pocket expense reimbursement by CRL where necessary for Consultant to deliver the required services. Any travel required will be subject to Consultant's reasonable consent. Charles River will make limited office space, including appropriate IT capability, available as needed for the conduct of any consulting services requested by CRL not referenced in Exhibit A. Notwithstanding the foregoing, to the extent the Company wishes to retain Consultant from time to time to provide legal services to or on behalf of the Company, such services would be provided by Consultant on a negotiated fee-for-service basis independent of the compensation provided hereunder for corporate development consulting services.

2. TERM. This Agreement shall have an effective date set forth on the signature page hereto, but services shall be provided beginning January 1, 2005, and shall continue through the period ending July 28, 2006 (such period being referred to as the "Consultation Period"), unless sooner terminated in accordance with the terms hereof. The parties may thereafter agree to extend the period of the Consulting Agreement, but only by mutual consent and otherwise on terms satisfactory to the Company.

3. COMPENSATION.

    3.1 CONSULTING FEES. During the Consultation Period, the Company shall pay to the Consultant a consulting fee of $100,000 per year, payable in equal bi-weekly installments. This equates to aggregate consulting fee payments of approximately $150,000 for the anticipated 18-month consulting period.

    3.2 BENEFITS. In his capacity as a consultant, the Consultant shall continue to participate in CRL's medical and dental plans under the current family coverage arrangement, on the same basis as he would have if he was an executive officer of the Company during this period, with CRL paying 100% of costs associated with COBRA coverage during the Consultation Period.

4. TERMINATION.

This Agreement shall automatically terminate in the event of:

(i) the Consultant's death;

(ii) fraud, dishonesty, willful malfeasance, or gross negligence on the part of the Consultant in connection with his performance of the services to be provided pursuant hereto;

(iii) the conviction of the Consultant of, or the entry of a pleading of guilty by the Consultant to, any crime involving moral turpitude or any felony;

(iv) the disability of the Consultant; or

(v) the commission of an intentional act of false and misleading public disparagement of CRL by the Consultant.

As used in this Agreement, the term "disability" shall mean the inability of the Consultant, due to physical or mental disability, for a period of 90 days, whether or not consecutive, during a 360-day period to perform the services to be provided pursuant to this Agreement. A determination of disability shall be made by a physician satisfactory to both the Consultant and the Company; provided that if the Consultant and the Company do not agree on a physician, the Consultant and the Company shall select a physician and these two together shall select a third physician, whose determination as to disability shall be binding on all parties.

In the event of termination for any of the reasons set forth above, the Consultant (or, if applicable, his estate) shall be entitled to payment for services performed and expenses paid or incurred prior to the effective date of termination. Such payments shall constitute full settlement of any and all claims of the Consultant of every description against the Company. Notwithstanding the foregoing, the Company may terminate this Agreement, effective immediately upon receipt of written notice, if the Consultant breaches or threatens in writing to breach any provision of Section 6.

5. COOPERATION. The Consultant shall diligently perform his obligations under this Agreement. The Company shall provide such access to its information and property as may be reasonably required in order to permit the Consultant to perform his obligations hereunder.

6. CONFIDENTIAL INFORMATION. The Consultant will not disclose, except as set forth herein, any confidential or proprietary information of the Company during the Consultation Period and for an 18-month period thereafter. Confidential or proprietary information shall not include any information which becomes generally known or available to the public other than as a result of a disclosure by the Consultant. The Consultant may disclose any such information if compelled by any state or Federal law or regulation, or to any employees, directors, officers, advisors or representatives of the Company, as the Consultant deems necessary or appropriate.

7. INDEPENDENT CONTRACTOR STATUS. The Consultant shall perform all services under this Agreement as an "independent contractor" and not as an employee or agent of the Company. The Consultant is not authorized to assume or create any obligation or responsibility, express or implied, on behalf of, or in the name of, the Company or to bind the Company in any manner.

8. NOTICES. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon deposit in the United States Post Office, addressed to the other party at the address shown above, or at such other address or addresses as either party shall designate to the other in accordance this Section 8.

9. ENTIRE AGREEMENT. This Agreement, together with a Letter Agreement of even date herewith and the Change in Control Severance Agreement referenced therein, together constitute the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement. In the event of a conflict between this Agreement and the Letter Agreement, the terms of the Letter Agreement shall prevail. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Consultant. This Agreement may not be assigned by the Company without Consultant's prior consent. This Agreement shall be

binding upon any successor to the Company that might result from a merger or other transaction.

10. GOVERNING LAW. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Massachusetts (regardless of its, or any other jurisdiction's choice of law rules).

11. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon, and inure to the benefit of, both parties and their respective successors and assigns, including any corporation with which, or into which, the Company may be merged or which may succeed to its assets or business; provided, however, that the obligations of the Consultant are personal and shall not be assigned by him.

12. MISCELLANEOUS.

12.1 No delay or omission by either party in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by either party on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

12.2 In the event that any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year set forth above.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.	CONSULTANT
BY:	BY:
-----------------------------------	-----------------------------------
James C. Foster Chairman, President & CEO	Dennis R. Shaughnessy
	EFFECTIVE DATE: -------------------

INVERESK RESEARCH GROUP, INC.
2002 STOCK OPTION PLAN

OPTION AWARD

OPTION AWARD made by Inveresk Research Group, Inc., a Delaware corporation (the "Company") in favor of the person named on the signature page hereof (the "Optionee") pursuant to the Inveresk Research Group, Inc. 2002 Stock Option Plan (the "Plan") (capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan);

1. GRANT OF STOCK OPTION.

The Company hereby grants the Optionee an option (the "Option") to purchase the number of shares of Common Stock set forth on the signature page of this document, on the terms and subject to the conditions set forth in this Award and the Plan.

2. OPTION PRICE.

The Option Price per Share shall be as set forth on the signature page of this document.

3. INITIAL EXERCISABILITY.

Unless otherwise provided on an annex to this Option Award, subject to paragraph 5 below, the Option, to the extent that there has been no termination of the Optionee's employment or other service with the Company and the Option has not otherwise expired or been forfeited, shall become exercisable one year after the date of grant of the Option, at which time up to one-third of the Shares covered by the Option may be acquired upon exercise. On each of the second and third anniversaries of issuance, the Option shall become exercisable as to an additional one-third of the underlying Shares.

4. EXERCISABILITY UPON AND AFTER TERMINATION OF OPTIONEE.

(a) If the Optionee's employment or other service with the Company and its Subsidiaries is terminated other than by (i) voluntary resignation of the Optionee, (ii) termination by the Company for Cause, or (iii) termination by reason of death, Retirement or Disability, no exercise of the Option may occur after the expiration of the three-month period following the termination, or if earlier, the expiration of the term of the Option as provided under paragraph 5 below.

(b) If the Optionee's employment or other service with the Company and its Subsidiaries terminates due to the death, Retirement or Disability of the Optionee, the Option may be exercised until the earlier of (i) one year from the date of termination of the employment or other service of the Optionee, or (ii) the date on which the term of the Option expires as provided under paragraph 5 below.

(c) Notwithstanding any other provision of this Option Award, if (i) the Optionee's employment or other service is terminated by the Company or a Subsidiary for Cause or (ii) the Optionee terminates employment with the Company and its Subsidiaries other than by reason of death, Retirement or Disability, the Option, to the extent then unexercised, shall thereupon cease to be exercisable and shall be forfeited forthwith.

(d) No Option (or portion thereof) which had not become exercisable at the time of termination of employment shall ever be or become exercisable. No provision of this paragraph 4 is intended to or shall permit the exercise of the Option to the extent the Option was not exercisable at the time of termination of employment.

5. TERM.

Unless earlier forfeited, the Option shall, notwithstanding any other provision of this Option Award, expire in its entirety upon the tenth anniversary of the date hereof. The Option shall also expire and be forfeited at such earlier times and in such circumstances as otherwise provided hereunder or under the Plan.

6. CONDITIONS TO EXERCISE.

Any purported exercise of this Option shall only be treated as a valid exercise of this Option if either: (a) a check made payable to the Optionee's employer for an aggregate amount equal to all taxation and/or social security or medicare contributions (if not previously paid by the Optionee or deducted from the Optionee's remuneration), which the Optionee's employer may be required to pay under Canadian, provincial or local legislation in respect of the relevant exercise of this Option and in respect of the grant of this Option, either accompanies the relevant notice of exercise or is received by the Optionee's employer within three days following the receipt of the relevant notice of exercise and such check is cleared through the Optionee's bank account within seven days following its presentation by the Optionee's employer; or (b) arrangements satisfactory to the Optionee's employer have been made for the payment in cleared funds by the Optionee to the Optionee's employer within 30 days of the relevant exercise of this Option of an amount equal to all taxation and/or social secuirty or medicare contributions (if not previously paid by the Optionee or deducted from the Optionee's remuneration) which the Optionee's employer may be required to pay under Canadian, provincial or local legislation in respect of the relevant exercise of this Option and in respect of the grant of this Option.

7. MISCELLANEOUS.

(a) THIS OPTION AWARD SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS. The captions of this Option Award are not part of the provisions hereof and shall have no force or effect. This Option Award may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Option Award shall not affect the validity or enforceability of any other provision of this Option Award.

(b) The Committee may make such rules and regulations and establish such procedures for the administration of this Option Award as it deems appropriate. Without limiting the generality of the foregoing, the Committee may interpret this Option Award, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law. In the event of any dispute or disagreement as to the interpretation of this Option Award or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to this Option Award, the decision of the Committee shall be final and binding upon all persons.

(c) All notices hereunder shall be in writing, and if to the Company or the Committee, shall be delivered to the Company or mailed to its principal office, addressed to the attention of the Chief Financial Officer; and if to the Optionee, shall be delivered personally, sent by facsimile transmission or mailed to the Optionee at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this paragraph 7(c).

(d) The failure of the Optionee or the Company to insist upon strict compliance with any provision of this Option Award or the Plan, or to assert any right the Optionee or the Company, respectively, may have under this Option Award or the Plan, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Option Award or the Plan.

(e) The Optionee agrees that, at the request of the Committee, the Optionee shall represent to the Company in writing that the Shares being acquired are acquired for investment only and not with a view to distribution and that such Shares will be disposed of only if registered (or, if applicable, qualified) for sale under the Securities Act and any other applicable laws of any of the provinces or territories of Canada or if there is an available exemption for such disposition under the Securities Act and any other applicable laws of any of the provinces or territories of Canada. The Optionee expressly understands and agrees that, in the event of such a request, the making of such representation shall be a condition precedent to receipt of Shares upon exercise of the Option.

(f) Nothing in this Option Award shall confer on the Optionee any right to continue in the employ or service of the Company or its Subsidiaries or interfere in any way with the right of the Company or its Subsidiaries to terminate the Optionee's employment or service at any time.

(g) This Option Award and the Plan contain the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

IN WITNESS WHEREOF, the Company has caused this Option Award to be duly executed.

INVERESK RESEARCH GROUP, INC.

By:

Name: Walter S Nimmo

Title: Chief Executive Officer

OPTION DATA

Name of Optionee:

Number of shares covered by the Option:

Exercise Price: per share

Date:

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.1

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND RULE 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934**

I, James C. Foster, Chief Executive Officer of Charles River Laboratories International, Inc. (the Company) certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and proceeds to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2004	/s/ JAMES C. FOSTER
	James C. Foster Chairman, Chief Executive Officer and President Charles River Laboratories International, Inc.

QuickLinks

Exhibit 31.1

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Exhibit 31.2

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND RULE 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934**

I, Thomas F. Ackerman, Senior Vice President and Chief Financial Officer of Charles River Laboratories International, Inc. (the Company) certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and proceeds to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2004

/s/ THOMAS F. ACKERMAN

Thomas F. Ackerman
Senior Vice President and Chief Financial Officer
Charles River Laboratories International, Inc.

QuickLinks

Exhibit 31.2

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q for the period ended September 25, 2004 of Charles River Laboratories International, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, James C. Foster, the Chairman, Chief Executive Officer and President, and Thomas F. Ackerman, Senior Vice President and Chief Financial Officer, each hereby certifies, to the best of his knowledge and pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 28, 2004	/s/ JAMES C. FOSTER
	James C. Foster Chairman, Chief Executive Officer & President Charles River Laboratories International, Inc.
Dated: October 28, 2004	/s/ THOMAS F. ACKERMAN
	Thomas F. Ackerman Senior Vice President & Chief Financial Officer Charles River Laboratories International, Inc.