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UNITED STATES
SECURITES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 29, 2001

OR

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

Commission file number 333-92383

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

(Exact Name of Registrant as specified in its Charter)

DELAWARE	**06-1397316**
(State of Incorporation)	(I.R.S. Employer Identification No.)

251 BALLARDVALE STREET, WILMINGTON, MASSACHUSETTS 01887
(Address of Principal Executive Offices) (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 /x/ No / /

As of October 21, 2001 there were 44,128,083 shares of the registrant's common stock outstanding.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

FORM 10-Q

For the Quarterly Period Ended September 29, 2001

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the three months ended September 29, 2001 and September 23, 2000
(dollars in thousands except for share data)

	Three Months Ended	
	September 29, 2001	September 23, 2000
Net sales related to products	$64,094	$ 56,427
Net sales related to services	59,591	19,166
Total net sales	123,685	75,593
Costs and Expenses		
Cost of products sold	38,050	33,348
Cost of services provided	42,424	12,341
Selling, general and administrative	17,016	11,124
Amortization of goodwill and intangibles	2,183	932
Operating income	24,012	17,848
Other income (expense)		
Interest income	360	960
Interest expense	(5,456)	(8,052)
Other income (expense)	83	(406)
Income before income taxes, minority interests, earnings from equity investments and extraordinary item	18,999	10,350
Provision for income taxes	6,677	5,193
Income before minority interests, earnings from equity investments and extraordinary item	12,322	5,157
Minority interests	(643)	(451)
Earnings from equity investments, net of tax	126	133
Income before extraordinary item	11,805	4,839
Extraordinary loss, net of tax benefit of $691 and $15,670, respectively	(1,284)	(29,101)
Net income (loss)	$10,521	$(24,262)
Earnings per common share before extraordinary item		
Basic	$0.27	$ 0.14
Diluted	$0.26	$ 0.12
Earnings (loss) per common share after extraordinary item		
Basic	$0.24	$(0.69)
Diluted	$0.23	$(0.61)
Weighted average number of common shares outstanding before and after extraordinary item		
Basic	43,054,478	35,389,600
Diluted	45,679,127	39,699,771

See Notes to Condensed Consolidated Financial Statements

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the nine months ended September 29, 2001 and September 23, 2000
(dollars in thousands except for share data)

Nine Months Ended

	September 29, 2001	September 23, 2000
Net sales related to products	$186,816	$169,932
Net sales related to services	152,720	55,595
Total net sales	339,536	225,527
Costs and Expenses		
Cost of products sold	108,256	99,391
Cost of services provided	107,637	36,743
Selling, general and administrative	49,761	35,366
Amortization of goodwill and intangibles	6,004	2,734
Operating income	67,878	51,293
Other income (expense)		
Interest income	959	1,251
Interest expense	(18,354)	(33,873)
Other income (expense)	516	(176)
Income before income taxes, minority interests, earnings from equity investments and extraordinary item	50,999	18,495
Provision for income taxes	19,891	4,797
Income before minority interests, earnings from equity investments and extraordinary item	31,108	13,698
Minority interests	(1,859)	(1,130)
Earnings from equity investments, net of tax	345	881
Income before extraordinary item	29,594	13,449
Extraordinary loss, net of tax benefit of $1,611 and $15,670, respectively	(3,104)	(29,101)
Net income (loss)	$ 26,490	$(15,652)
Earnings per common share before extraordinary item		
Basic	$0.74	$ 0.54
Diluted	$0.68	$ 0.47
Earnings (loss) per common share after extraordinary item		
Basic	$0.66	$(0.63)
Diluted	$0.61	$(0.54)
Weighted average number of common shares outstanding before and after extraordinary item		
Basic	39,953,655	25,010,113
Diluted	43,429,162	28,880,979

See Notes to Condensed Consolidated Financial Statements

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	September 29, 2001 (Unaudited)	December 30, 2000
Assets		
Current assets		
Cash and cash equivalents	$ 78,303	$ 33,129
Trade receivables, less allowances of $1,452 and $1,036, respectively	97,938	45,949
Inventories	39,206	34,510
Deferred income taxes	2,055	2,055
Due from affiliates	83	83
Other current assets	6,997	4,011
Total current assets	224,582	119,737
Property, plant and equipment, net	149,249	117,001
Goodwill and other intangibles, less accumulated amortization of $16,775 and $10,810, respectively	90,984	41,893
Investments in affiliates	2,908	2,442
Deferred income taxes	93,288	105,027

Deferred financing costs	6,858	7,979
Other assets	18,201	16,529
Total assets	$ 586,070	$ 410,608
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	$ 811	$ 231
Current portion of capital lease obligations	181	181
Accounts payable	9,408	10,767
Accrued compensation	25,603	16,997
Deferred income	16,786	5,223
Accrued interest	190	3,451
Accrued liabilities	28,408	24,187
Accrued income taxes	5,238	3,283
Total current liabilities	86,625	64,320
Long-term debt	193,240	201,957
Capital lease obligations	414	543
Accrued ESLIRP	10,831	10,116
Other long-term liabilities	3,300	3,415
Total liabilities	294,410	280,351
Commitments and contingencies		
Minority interests	13,993	13,330
Shareholders' equity		
Common stock: $0.01 par value, 120,000,000 shares authorized, 43,955,545 and 35,920,369 shares issued and outstanding as of September 29, 2001 and December 30, 2000, respectively	440	359
Capital in excess of par value	585,760	451,404
Retained earnings	(292,085)	(318,575)
Loans to officers	(341)	(920)
Unearned compensation	(346)	—
Accumulated other comprehensive income	(15,761)	(15,341)
Total shareholders' equity	277,667	116,927
Total liabilities and shareholders' equity	$ 586,070	$ 410,608

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 29, 2001	**September 23, 2000**
Cash flows relating to operating activities		
Net income (loss)	$ 26,490	$ (15,652)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,191	12,274
Amortization of debt issuance costs and discounts	1,126	1,783
Accretion of debenture and discount note	—	6,504
Extraordinary loss, net of tax	3,104	29,101
Earnings from equity investments	(345)	(881)
Minority interests	1,859	1,130
Deferred income taxes	13,478	(1,632)
Loss on property, plant, and equipment write-downs and disposals	234	568
Other non-cash items	238	—
Changes in assets and liabilities:		
Trade receivables	(23,861)	(3,635)
Inventories	(3,679)	(115)

Due from affiliates	—	174
Other current assets	(2,131)	(474)
Other assets	(1,660)	(3,562)
Accounts payable	(4,407)	(3,795)
Accrued compensation	5,619	3,835
Deferred income	4,818	(1,905)
Accrued interest	(3,206)	(1,895)
Accrued liabilities	(3,342)	(1,167)
Accrued income taxes	1,893	579
Accrued ESLIRP	715	675
Other long-term liabilities	(937)	(473)
Net cash provided by operating activities	35,197	21,437
Cash flows relating to investing activities		
Capital expenditures	(20,530)	(8,529)
Contingent payments for prior year acquisitions	(250)	—
Acquisition of businesses, net of cash acquired	(55,265)	(6,011)
Proceeds from sale of animal colony	—	7,000
Net cash used in investing activities	(76,045)	(7,540)
Cash flows relating to financing activities		
Proceeds from long term debt and revolving credit facility	41,915	—
Payments on long-term debt and revolving credit facility	(66,518)	(202,632)
Premium paid for early retirement of debt	(1,811)	(31,532)
Payments of deferred financing cost	(984)	(588)
Payments on capital lease obligations	(4,142)	(307)
Proceeds from issuance of common stock, net of transaction fees	116,691	235,964
Proceeds from exercise of employee stock options	1,003	—
Payments received from officer loans	579	—
Dividends paid to minority interests	(729)	—
Net cash provided by financing activities	86,004	905
Effect of exchange rate changes on cash and cash equivalents	18	(1,804)
Net change in cash and cash equivalents	45,174	12,998
Cash and cash equivalents, beginning of period	33,129	15,010
Cash and cash equivalents, end of period	$ 78,303	$ 28,008
Supplemental cash flow information		
Cash paid for interest	$ 20,469	$ 36,662
Cash paid for taxes	3,418	5,183

See notes to Condensed Consolidated Financial Statements

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(dollars in thousands)

1. Basis of Presentation

The condensed consolidated interim financial statements are unaudited, and certain information and footnote disclosure related thereto normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, 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 consolidated financial statements and reflect all adjustments (consisting of normal recurring adjustments) considered necessary to fairly state 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 30, 2000.

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

2. Public Offerings

On July 25, 2001, the Company consummated a public offering ("July offering") of 8,000,000 shares of common stock at a price of $29.00 per share. The Company issued 2,000,000 shares of common stock and existing shareholders sold 6,000,000 shares. On July 30, 2001, existing shareholders sold an additional 724,700 shares of common stock through the exercise of the overallotment option. The Company received proceeds of $54,469 net of the underwriters' commission and offering costs. During the third quarter, the Company used $9,561 to repay a portion of the senior subordinated notes, including issuance discounts and premiums. The Company has recorded an extraordinary loss before tax of $1,975, due to the payment of premiums related to the early extinguishment of debt ($1,601) and the write-off of deferred financing costs ($284) and issuance discounts ($90). This extraordinary loss was recorded net of a tax benefit of $691. The Company plans to use the remaining proceeds to further repay portions of our debt obligations and for general corporate purposes.

On March 21, 2001, the Company consummated a public offering ("March offering") of 8,050,000 shares of its common stock at a price of $19.00 per share. The Company issued 3,500,000 shares of common stock and existing shareholders sold 4,550,000 shares, which included the exercise of the underwriters' over-allotment option of 1,050,000 shares. The Company received proceeds of $62,222, net of the underwriters' commission and offering costs and used the proceeds to repay existing debt, including issuance discounts. An extraordinary loss before tax of $2,800 was recorded due to the write off of issuance discounts ($1,653) and deferred financing costs ($937) and the payment of a premium

relating to the early extinguishment of debt ($210). This extraordinary loss was recorded net of a tax benefit of $980. The uses of the March offering proceeds to repay debt are as follows:

Repayment of term loan A	$	6,000
Repayment of term loan B		18,000
Repayment of term loan C		6,000
Repayment of revolver		17,000
Repayment of convertible note*		9,210
Repayment of other debt and early paydown of capital lease obligations		6,012
	$	62,222

* Includes issuance discount and premium on early repayment.

On June 28, 2000, the Company consummated an initial public offering (the "IPO") of 16,100,000 shares of its common stock at a price of $16.00 per share. The Company used the net proceeds from the IPO of $235,964 plus cash on hand of $300 to repay $204,732 of its existing debt, including issuance discounts and premiums of $31,532. This early repayment resulted in an extraordinary loss before tax of $44,771. The extraordinary loss was recorded in the consolidated statement of income net of a tax benefit of $15,670 during the third quarter.

3. Acquisitions and Disposals

Acquisitions

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

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

Term Loan A, as amended, and the Term Loan C is based on the Libor rate plus 1.75% and 3.25%, respectively.

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

As of September 29, 2001, CRL has finalized the purchase price allocation associated with the PAI and GMI acquisitions. The Primedica purchase price allocation will be finalized by the end of the fiscal year. CRL's preliminary allocation of purchase price for these acquisitions, based on valuations, of which Primedica's has not yet been finalized, is as follows:

	PAI	Primedica	GMI
Net current assets	$ 3,126	$ 6,415	$ 635
Property, plant and equipment	1,276	24,637	215
Non-current assets	159	35	—

(dollars in thousands)

Net current liabilities	—	—	(244)
Non-current liabilities	—	(859)	(44)
Estimated fair value, net assets acquired	4,561	30,228	562
Goodwill and other intangible assets	30,677	20,879	3,438
Consideration	35,238	51,107	4,000
Less: assumed debt	—	(9,024)	—
	$ 35,238	$ 42,083	$ 4,000

Net current assets in the above preliminary purchase price allocation includes a $530 severance liability recorded in accordance with EITF 95-3 "Recognition of Liabilities in Connection with a Purchase Business Combination" ("EITF 95-3"). This liability relates to severance benefits to be provided to certain Primedica employees. Approximately $131 of these severance benefits have been paid during 2001. The remaining payments will be made by the end of fiscal 2002.

Goodwill and other intangible assets recorded in the condensed consolidated interim financial statements associated with the PAI and Primedica acquisitions are being amortized over their estimated useful lives ranging from 2 to 20 years. Intangible assets associated with the GMI acquisition are accounted for in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". Goodwill and certain identifiable intangible assets with indefinite lives are not amortized.

The following selected unaudited pro forma consolidated results of operations are presented as if each of the acquisitions had occurred as of the beginning of the period immediately preceding the period of acquisition after giving effect to certain adjustments for the amortization of goodwill, 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		Nine Months Ended	
	September 29, 2001	September 23, 2000	September 29, 2001	September 23, 2000
Net sales	$ 123,890	$ 103,867	$ 353,718	$ 301,721
Income before extraordinary item	11,807	5,083	29,682	12,125
Net income (loss)	10,523	(24,018)	26,578	(16,976)
Earnings per common share before extraordinary item				
Basic	$0.27	$ 0.14	$0.74	$ 0.48
Diluted	$0.26	$ 0.13	$0.69	$ 0.42
Earnings (loss) per common share after extraordinary item				
Basic	$0.24	$(0.68)	$0.67	$(0.68)
Diluted	$0.23	$(0.60)	$0.61	$(0.59)

Refer to Note 7 for further discussion of the method of computation of earnings per share.

Disposals

During the fourth quarter of 2000, the Company recorded a pre-tax restructuring charge of $1,290 associated with the closing of a facility in France. As of December 30, 2000, $1,078 of this charge was unpaid and included in the consolidated balance sheet as an accrued liability. During 2001, the Company recorded additional charges of $979 relating to additional severance payments negotiated with employees following labor disputes arising in the first quarter. These charges have been recorded in selling, general and administrative expenses in the accompanying condensed consolidated interim statements of income. A summary of the activities associated with these restructuring reserves is as follows:

	Employee Separations	Other	Total
December 30, 2000	$ 993	$ 85	$ 1,078
Additional charges recorded	979	—	979
Amounts paid	(981)	(74)	(1,055)
September 29, 2001	$ 991	$ 11	$ 1,002

4. Supplemental Balance Sheet Information

The composition of inventories is as follows:

	September 29, 2001	December 30, 2000
Raw materials and supplies	$ 5,398	$ 4,052
Work in process	2,279	1,530
Finished products	31,529	28,928
Inventories	$ 39,206	$ 34,510

Inventories are stated at the lower of cost or market. Cost is determined principally on the average cost method. Costs for large animals are accumulated in inventory until the large animals are sold.

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

	September 29, 2001	December 30, 2000
Land	$ 9,583	$ 9,367
Buildings	144,803	142,569
Machinery and equipment	128,126	95,407
Leasehold improvements	10,124	5,747
Furniture and fixtures	2,500	1,992
Vehicles	2,487	2,378
Construction in progress	11,558	5,102
	309,181	262,562
Less accumulated depreciation	(159,932)	(145,561)
Net property, plant and equipment	$ 149,249	$ 117,001

5. Income Taxes

The provision for income taxes recorded for the nine months ended September 23, 2000 included a tax benefit of $4,762, which was the result of the Company reassessing the valuation allowance relating to state income taxes associated with the deferred tax asset. This reassessment was a result of the use of proceeds from the IPO to repay indebtedness and therefore significantly reduce the Company's interest cost.

6. 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 condensed consolidated financial statements.

On April 27, 2001, the Company's French subsidiaries obtained a favorable legal judgement in a contract dispute, with a damages award of 26,500 French Francs, approximately $3,500. The defendant has appealed the decision and no amounts have been recorded as of September 29, 2001 with respect to this judgement.

7. Earnings per Share

Basic earnings per share for the three and nine month periods ended September 29, 2001 and September 23, 2000 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.

The weighted average number of common shares outstanding in the three and nine month periods ended September 29, 2001 and September 23, 2000 have been adjusted to include common stock equivalents for the purpose of calculating diluted earnings per share before and after the extraordinary item for these periods.

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

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

	Three Month Period Ended		Nine Month Period Ended	
	September 29, 2001	September 23, 2000	September 29, 2001	September 23, 2000
Numerator — basic and diluted earnings per share				
Income before extraordinary item	$11,805	$ 4,839	$29,594	$ 13,449
Extraordinary loss	(1,284)	(29,101)	(3,104)	(29,101)
Income (loss) after extraordinary	10,521	(24,262)	26,490	(15,652)

item for purposes of calculating basic earnings per share				
After tax equivalent of interest expense on 2% convertible note	27	—	82	—
Income (loss) for purposes of calculating diluted earnings per share	$10,548	$(24,262)	$26,572	$(15,652)
Denominator:				
Weighted average shares outstanding — Basic	43,054,478	35,389,600	39,953,655	25,010,113
Effect of dilutive securities — stock options, warrants and convertible debt	2,624,649	4,310,171	3,475,507	3,870,866
Weighted average shares outstanding — Diluted	45,679,127	39,699,771	43,429,162	28,880,979
Basic earnings per share before extraordinary item	$ 0.27	$ 0.14	$ 0.74	$ 0.54
Diluted earnings per share before extraordinary item	$ 0.26	$ 0.12	$ 0.68	$ 0.47
Basic (loss) per share on extraordinary item	$(0.03)	$(0.82)	$(0.08)	$(1.16)

Diluted (loss) per share on extraordinary item	$(0.03)	$(0.73)	$(0.07)	$(1.01)
Basic earnings (loss) per share after extraordinary item	$ 0.24	$(0.69)	$ 0.66	(0.63)
Diluted earnings (loss) per share after extraordinary item	$ 0.23	$(0.61)	$ 0.61	$(0.54)

8. Business Segment Information

The following table presents sales and other financial information by product line segment for the three and nine month periods ended September 29, 2001 and September 23, 2000. Sales to unaffiliated customers represent net sales originating in entities primarily engaged in either research models or biomedical products and services.

	Three Month Period Ended		Nine Month Period Ended	
	September 29, 2001	September 23, 2000	September 29, 2001	September 23, 2000
Research Models				
Net sales	$ 50,647	$ 45,074	$ 148,134	$ 132,538
Gross margin	20,511	17,694	61,975	54,027
Operating income	13,476	10,158	40,428	34,120
Depreciation and amortization	2,474	2,526	7,210	7,122
Capital expenditures	2,309	1,343	6,701	4,624
Biomedical Products and Services				
Net sales	73,038	30,519	191,402	92,989
Gross margin	22,700	12,210	61,668	35,366
Operating income	13,394	6,461	34,350	18,705
Depreciation and amortization	4,738	1,736	12,031	5,152
Capital expenditures	6,495	1,079	13,829	3,905

Net sales for the three months ended September 23, 2000 reported above differ from the net sales previously reported on Form 10Q filed for the third quarter ended September 23, 2000 by $2,678 and $542 for Research Models and Biomedical Products and Services, respectively. The net sales for the nine months ended September 23, 2000 reported above differ from the net sales previously reported by $8,191 and $1,564 for Research Models and Biomedical Products and Services, respectively. These amounts have been reclassified from cost of sales to net sales in accordance with EITF Issue 00-10, "Accounting for Shipping and Handling Fees and Costs" (refer to Note 1 to the Consolidated Financial Statements for the year ended December 30, 2000 filed on SEC Form 10K).

In the first quarter of 2001, management revised how it classifies certain European services within the existing business segments, which resulted in a reclassification of $2,090 and $7,315 of net sales from Research Models to Biomedical Products and Services for the three and nine month periods ended September 23, 2000, respectively. Furthermore, these reclassifications resulted in operating income shifting from Research Models to Biomedical Products and Services for the three and nine month periods ended September 23, 2000 by $473 and $1,662, respectively.

Total assets attributable to the research models segment as of September 29, 2001 and December 30, 2000 were $360,272 and $313,763, respectively. Total assets attributable to the biomedical products and services segment as of September 29, 2001 and December 30, 2000 were $225,798 and $96,843, respectively.

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

	Three Month Period Ended		Nine Months Period Ended	
	September 29, 2001	September 23, 2000	September 29, 2001	September 23, 2000
Total segment operating income	$ 26,870	$ 16,619	$ 74,778	$ 52,825
Unallocated corporate overhead	(2,858)	1,229	(6,900)	(1,532)
Consolidated operating income	$ 24,012	$ 17,848	$ 67,878	$ 51,293

9. Comprehensive Income (Loss)

The components of comprehensive income (loss) for the three and nine month periods ended September 29, 2001 and September 23, 2000 are set forth below:

	Three Month Period Ended		Nine Month Period Ended	
	September 29, 2001	September 23, 2000	September 29, 2001	September 23, 2000
Net income (loss)	$ 10,521	$ (24,262)	$ 26,490	$ (15,652)
Foreign currency translation	4,067	(3,143)	(420)	(5,737)
Comprehensive income (loss)	$ 14,588	$ (27,405)	$ 26,070	$ (21,389)

10. Restricted Stock Grant

On August 1, 2001, the Company granted 11,500 shares of restricted stocks to certain employees, at zero cost to the employees. The restricted stock grants vest ratably over a three year period. A compensation charge of $368 related to the restricted stock grant is measured at the fair market value on the date of grant and recorded as unearned compensation in the equity section of the condensed consolidated balance sheet. Compensation expense will be recognized ratably over the vesting period.

11. Warrant Exchange

On July 20, 2001, the Company exchanged 1,684,468 shares of its common stock for 1,685,049 DLJMB warrants. These shares are included in the shares outstanding as of September 29, 2001.

12. Recently Issued Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 (FAS 141), "Business Combinations" and No. 142 (FAS 142), "Goodwill and Other Intangible Assets." FAS 141 supercedes Accounting Principles Board Opinion No. 16, "Business Combinations." FAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires that unallocated negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. Provisions of FAS 141 will be effective for the Company's business acquisitions that are consummated after July 1, 2001. FAS 142 supercedes Accounting Principles Board Opinion No. 17, "Intangible Assets," and addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Under FAS 142, goodwill and indefinite lived intangible assets will no longer be amortized but will be tested for impairment at least annually at the reporting unit level. In addition, the amortization period of intangible assets with finite lives will no longer be limited to forty years. The general provisions of FAS 142 will be effective for the Company as of the beginning of fiscal 2002. However, certain provisions will be effective for all business acquisitions consummated after June 30, 2001. Management believes the adoption of FAS 142 in fiscal 2002 will result in a significant decrease in amortization of goodwill and intangibles on the consolidated statement of income and is currently in the process of assessing other impacts from FAS 142.

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

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" (FAS 144), which supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of" (FAS 121), and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (APB 30), for the disposal of a segment of a business. Because FAS 121 did not address the accounting for a segment of a business accounted for as a discontinued operation under APB 30, two accounting models existed for long-lived assets to be disposed of. FAS 144 establishes a single accounting model, based on the framework established in FAS 121, for long-lived assets to be

disposed of. It also addresses certain significant implementation issues under FAS 121. The provisions of FAS 144 will be effective for the Company as of the beginning of fiscal year 2002. The Company is in the process of assessing the impact of the adoption of FAS 144.

13. Subsequent Events

During October 2001, the Company repurchased $6,260 of senior subordinated notes at a premium of $1,311 and repaid $22,000 of its senior credit facility. During the fourth quarter, the Company will incur an extraordinary loss associated with the repayment of $2,206, which will be recorded net of a $772 tax benefit.

Also in October 2001, the Company decided to relocate a portion of its California based biomedical products and services to other Company facilities. Management is currently in the process of finalizing the plan and expects to incur certain relocation charges.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Nine Months ended September 29, 2001 Compared to the Nine Months ended September 23, 2000

Net Sales. Net sales for the nine months ended September 29, 2001 were $339.5 million, an increase of $114.0 million, or 50.6%, from $225.5 million for the nine months ended September 23, 2000.

Research Models. Net sales of research models for the nine months ended September 29, 2001 were $148.1 million, an increase of $15.6 million, or 11.8%, from $132.5 million for the nine months ended September 23, 2000. Small animal research model sales increased in North America by 13.3% due to improved pricing, a shift to higher priced specialty units and an increase in unit volume. Excluding negative impact from currency translation of $2.3 million, small animal research model sales in Europe increased 15.1%, driven in part by increased equipment sales as well as a shift to higher priced specialty units and an increase in unit volume. Small animal research model sales in Japan, which we began consolidating during the first quarter of 2000, were $33.4 million for the nine months ended September 29, 2001. Our large animal breeding and import conditioning business sales decreased by $1.6 million for the nine months ended September 29, 2001 due to the closure of our conditioning facility in the UK during the second quarter of 2000 and the sale of our Florida breeding colony, which was sold in the first quarter of 2000.

Biomedical Products and Services. Net sales of biomedical products and services for the nine months ended September 29, 2001 were $191.4 million, an increase of $98.4 million from $93.0 million for the nine months ended September 23, 2000. Net sales of biomedical products and services, including net sales of our acquisitions as if they occurred at the beginning of fiscal 2000, increased 21.7% for the nine months ended September 29, 2001 compared to the nine months ended September 23, 2000. We acquired two businesses during the first quarter of 2001, Pathology Associates International Corporation ("PAI") on January 8 and Primedica Corporation ("Primedica") on February 27, which contributed $80.4 million of sales in the nine months ended September 29, 2001. On a pro forma basis, PAI and Primedica net sales increased 13.3% over last year. Net sales of our remaining biomedical products and services businesses, excluding our monoclonal antibody services, have increased by 16.0% for the nine months ended September 29, 2001 compared to the nine months ended September 23, 2000.

Cost of Products Sold and Services Provided. Cost of products sold and services provided for the nine months ended September 29, 2001 was $215.9 million, an increase of $79.8 million, or 58.6%, from $136.1 million for the nine months ended September 23, 2000. Cost of products sold and services provided for the nine months ended September 29, 2001 were 63.6% of the net sales compared to 60.4% for the nine months ended September 23, 2000.

Research Models. Cost of products sold and services provided for research models for the nine months ended September 29, 2001 was $86.2 million, an increase of $7.7 million, or 9.8%, compared to $78.5 million for the nine months ended September 23, 2000. Cost of products sold and services provided for the nine months ended September 29, 2001 improved to 58.2% of net sales compared to 59.2% of net sales for the nine months ended September 23, 2000. Cost of products sold and services provided increased at a lower rate than net sales due to increased net sales, which has resulted in improved capacity utilization.

Biomedical Products and Services. Cost of products sold and services provided for biomedical products and services for the nine months ended September 29, 2001 was $129.7 million, an increase of $72.1 million compared to $57.6 million for the nine months ended September 23, 2000. Cost of products sold and services provided as a percentage of net sales increased to 67.8% for the nine months ended September 29, 2001 from 61.9% for the nine months ended September 23, 2000. Cost of products sold and services provided increased as a percentage of sales for the nine months ended

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September 29, 2001 due to the addition of PAI and Primedica which currently operate at lower gross margins than the remainder of our biomedical products and services businesses.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended September 29, 2001 were $49.8 million, an increase of $14.4 million, or 40.4%, from $35.4 million for the nine months ended September 23, 2000. Selling, general and administrative expenses for the nine months ended September 29, 2001 were 14.7% of net sales compared to 15.7% of net sales for the nine months ended September 23, 2000.

Research Models. Selling, general and administrative expenses for research models for the nine months ended September 29, 2001 were $21.2 million, an increase of $1.0 million, or 5.0%, compared to $20.2 million for the nine months ended September 23, 2000. Selling, general and administrative expenses for the nine months ended September 29, 2001 were 14.3% of net sales, compared to 15.2% for the nine months ended September 23, 2000, principally due to economies of scale.

Biomedical Products and Services. Selling, general and administrative expenses for biomedical products and services for the nine months ended September 29, 2001 were $21.7 million, an increase of $7.4 million, or 51.7%, compared to $14.3 million for the nine months ended September 23, 2000. Selling, general and administrative expenses for the nine months ended September 29, 2001 decreased to 11.3% of net sales, compared to 15.4% of net sales for the nine months ended September 23, 2000, due to greater economics of scale realized through our acquisitions of PAI and Primedica.

Unallocated Corporate Overhead. Unallocated corporate overhead, which consists of various corporate expenses, was $6.9 million for the nine months ended September 29, 2001, compared to $1.5 million for the nine months ended September 23, 2000. The change was caused by increased research and development expenses resulting from our technology deals, increased administrative expenses and decreased pension income.

Amortization of Goodwill and Other Intangibles. Amortization of goodwill and other intangibles for the nine months ended September 29, 2001 was $6.0 million, an increase of $3.3 million from $2.7 million for the nine months ended September 23, 2000. The increase was due to the effect of additional amortization of goodwill and other intangibles resulting from our PAI and Primedica acquisitions.

Operating Income. Operating income for the nine months ended September 29, 2001 was $67.9 million, an increase of $16.6 million, or 32.4%, from $51.3 million for the nine months ended September 23, 2000. Operating income for the nine months ended September 29, 2001 was 20.0% of net sales, compared to 22.7% of net sales for the nine months ended September 23, 2000. Operating income as a percentage of net sales decreased due to the additional amortization expense incurred as a result of our acquisitions as well as their lower margins.

Research Models. Operating income from sales of research models for the nine months ended September 29, 2001 was $40.4 million, an increase of $6.3 million, or 18.5%, from $34.1 million for the nine months ended September 23, 2000. Operating income from sales of research models for the nine months ended September 29, 2001 was 27.3% of net sales, compared to 25.7% for the nine months ended September 23, 2000 due to increased sales.

Biomedical Products and Services. Operating income from sales of biomedical products and services for the nine months ended September 29, 2001 was $34.4 million, an increase of $15.7 million, or 84.0%, from $18.7 million for the nine months ended September 23, 2000. Operating income from sales of biomedical products and services for the nine months ended September 29, 2001 decreased to 18.0% of net sales, compared to 20.1% of net sales for the nine months ended September 23, 2000, due to the additional amortization expense resulting from the acquisitions of PAI and Primedica as well as their lower margins.

Interest Expense. Interest expense for the nine months ended September 29, 2001 was $18.4 million, compared to $33.9 million for the nine months ended September 23, 2000. The $15.5 million decrease is primarily due to the significant early retirement of debt in 2000 and 2001 as well as the impact of reduced interest rates.

Other Income. During the nine months ended September 29, 2001, we received insurance proceeds relating to damaged production facilities, which resulted in a net gain of $0.5 million.

Income Taxes. The effective tax rate for the nine months ended September 29, 2001 of 39.0% compares favorably to the effective tax rate of 51.7%, excluding the $4.8 million tax benefit, for the nine months ended September 23, 2000. The impact of leverage for the nine months ended September 23, 2000 had an unfavorable effect on our 2000 effective tax rate by lowering our pretax income and increasing the impact of the permanent differences on the tax rate. In the third quarter of 2001, the Company recognized a portion of the deferred tax asset related to foreign tax credits, which further reduced our 2001 year to date effective tax rate.

Income before the Extraordinary Loss. Income before the extraordinary loss for the nine months ended September 29, 2001 was $29.6 million, an increase of $16.2 million from $13.4 million for the nine months ended September 23, 2000. The increase is driven by the increase in operating income, the decrease in interest expense and the decrease in our effective tax rate.

Extraordinary Loss. We recorded an extraordinary loss of $3.1 million during the first nine months of 2001. The pre-tax loss of $4.7 million is the result of the write-off of issuance discounts and deferred financing costs as well as the payment of a premium associated with the debt repayments, net of tax benefits of $1.6 million. During the third quarter of 2000, we recorded an extraordinary loss of $29.1 million as a result of the early paydown of debt.

Net Income (Loss). Net income for the nine months ended September 29, 2001 was $26.5 million, an increase of $42.2 million from a loss of $15.7 million for the nine months ended September 23, 2000.

Three Months Ended September 29, 2001 Compared to the Three Months Ended September 23, 2000

Net Sales. Net sales for the three months ended September 29, 2001 were $123.7 million, an increase of $48.1 million, or 63.6%, from $75.6 million for the three months ended September 23, 2000.

Research Models. Net sales of research models for the three months ended September 29, 2001 were $50.6 million, an increase of $5.5 million, or 12.2%, from $45.1 million for the three months ended September 23, 2000. Small animal research model sales increased in North America by 13.7% due to improved pricing, a shift to higher priced specialty units and an increase in unit volume. Excluding negative impact from currency translation of $0.2 million, small animal research model sales in Europe increased 25.2%, driven in part by increased equipment sales as well as a shift to higher priced specialty units and an increase in unit volume. Small animal research model sales in Japan increased 20.6%, excluding negative impact from currency translation. Our Japan sales were favorably impacted by our competitors' product related health issues.

Biomedical Products and Services. Net sales of biomedical products and services for the three months ended September 29, 2001 were $73.1 million, an increase of $42.6 million from $30.5 million for the three months ended September 23, 2000. Net sales of biomedical products and services, including net sales of our acquisitions as if they occurred at the beginning of fiscal 2000, increased 25.5% for the three months ended September 29, 2001 compared to the three months ended September 23, 2000. We acquired two businesses during the first quarter of 2001, Pathology Associates International Corporation ("PAI") on January 8 and Primedica Corporation ("Primedica") on February 27, which contributed $34.4 million of sales in the three months ended September 29, 2001.

On a pro forma basis, PAI and Primedica net sales increased 26.0% over the third quarter of 2000. Net sales of our remaining biomedical products and services businesses, excluding our monoclonal antibody services, have increased by 22.5% for the three months ended September 29, 2001 compared to the three months ended September 23, 2000.

Cost of Products Sold and Services Provided. Cost of products sold and services provided for the three months ended September 29, 2001 was $80.5 million, an increase of $34.7 million, or 75.8%, from $45.8 million for the three months ended September 23, 2000. Cost of products sold and services provided for the three months ended September 29, 2001 were 65.1% of the net sales compared to 60.6% for the three months ended September 23, 2000.

Research Models. Cost of products sold and services provided for research models for the three months ended September 29, 2001 was $30.2 million, an increase of $2.7 million, or 9.8%, compared to $27.5 million for the three months ended September 23, 2000. Cost of products sold and services provided for the three months ended September 29, 2001 improved to 59.7% of net sales compared to 61.0% of net sales for the three months ended September 23, 2000. Cost of products sold and services provided increased at a lower rate than net sales due to the more favorable product mix, improved pricing as well as improved capacity utilization.

Biomedical Products and Services. Cost of products sold and services provided for biomedical products and services for the three months ended September 29, 2001 was $50.3 million, an increase of $32.0 million, compared to $18.3 million for the three months ended September 23, 2000. Cost of products sold and services provided as a percentage of net sales increased to 68.8% for the three months ended September 29, 2001 from 60.0% for the three months ended September 23, 2000. Cost of products sold and services provided increased as a percentage of sales for the three months ended September 29, 2001 due to the addition of PAI and Primedica which currently operate at lower gross margins than the remainder of our biomedical products and services businesses.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended September 29, 2001 were $17.1 million, an increase of $5.9 million, or 52.7%, from $11.2 million for the three months ended September 23, 2000. Selling, general and administrative expenses for the three months ended September 29, 2001 were 13.8% of net sales compared to 14.8% of net sales for the three months ended September 23, 2000.

Research Models. Selling, general and administrative expenses for research models for the three months ended September 29, 2001 were $7.0 million, a decrease of $1.1 million, or 13.6%, compared to $8.1 million for the three months ended September 23, 2000. Selling, general and administrative expenses for the three months ended September 29, 2001 were 13.8% of net sales, compared to 18.0% for the three months ended September 23, 2000, principally due to economies of scale.

Biomedical Products and Services. Selling, general and administrative expenses for biomedical products and services for the three months ended September 29, 2001 were $7.1 million, an increase of $2.1 million, or 42.0%, compared to $5.0 million for the three months ended September 23, 2000. Selling, general and administrative expenses for the three months ended September 29, 2001 decreased to 9.7% of net sales, compared to 16.4% of net sales for the three months ended September 23, 2000, due to greater economics of scale and synergies realized through our acquisitions of PAI and Primedica.

Unallocated Corporate Overhead. Unallocated corporate overhead, which consists of various corporate expenses, was $2.9 million of expense for the three months ended September 29, 2001, compared to $1.3 million of income for the three months ended September 23, 2000. The change was caused by increased research and development expenses resulting from our technology deals, increased administrative expenses and decreased pension income.

Amortization of Goodwill and Other Intangibles. Amortization of goodwill and other intangibles for the three months ended September 29, 2001 was $2.2 million, an increase of $1.3 million from $0.9 million for the three months ended September 23, 2000. The increase was due to the effect of additional amortization of goodwill and other intangibles resulting from our PAI and Primedica acquisitions.

Operating Income. Operating income for the three months ended September 29, 2001 was $24.0 million, an increase of $6.1 million, or 34.1%, from $17.9 million for the three months ended September 23, 2000. Operating income for the three months ended September 29, 2001 was 19.4% of net sales, compared to 23.7% of net sales for the three months ended September 23, 2000. Operating income as a percentage of net sales decreased due to the additional amortization expense incurred as a result of our acquisitions, as well as the lower gross margins at which PAI and Primedica currently operate.

Research Models. Operating income from sales of research models for the three months ended September 29, 2001 was $13.4 million, an increase of $3.3 million, or 32.7%, from $10.1 million for the three months ended September 23, 2000. Operating income from sales of research models for the three months ended September 29, 2001 was 26.5% of net sales, compared to 22.4% for the three months ended September 23, 2000. The improvement is due to our increase in sales and better capacity utilization.

Biomedical Products and Services. Operating income from sales of biomedical products and services for the three months ended September 29, 2001 was $13.5 million, an increase of $7.0 million from $6.5 million for the three months ended September 23, 2000. Operating income from sales of biomedical products and services for the three months ended September 29, 2001 decreased to 18.5% of net sales, compared to 21.3% of net sales for the three months ended September 23, 2000, due to the additional amortization expense resulting from the acquisitions of PAI and Primedica as well as their lower gross margins.

Interest Expense. Interest expense for the three months ended September 29, 2001 was $5.5 million, compared to $8.1 million for the three months ended September 23, 2000. The $2.6 million decrease is primarily due to the significant early retirement of debt in 2001 as well as the impact of reduced interest rates.

Income Taxes. The effective tax rate for the three months ended September 29, 2001 of 35.1% compares favorably to the effective tax rate of 50.2% for the three months ended September 23, 2000. The impact of leverage for the three months ended September 23, 2000 had an unfavorable effect on our 2000 effective tax rate by lowering our pretax income and increasing the impact of the permanent differences on the tax rate. In the third quarter of 2001, the Company recognized a portion of the deferred tax asset related to foreign tax credits, which further reduced our third quarter three month effective tax rate.

Income Before the Extraordinary Loss. Income before the extraordinary loss for the three months ended September 29, 2001 was $11.8 million, an increase of $7.0 million from $4.8 million for the three months ended September 23, 2000. The increase is driven by the increase in operating income and the decrease in interest expense and effective tax rate.

Extraordinary Loss. We recorded an extraordinary loss of $1.3 million during the second quarter of 2001. The pre-tax loss of $1.9 million is the result of a premium associated with the debt repayments and the write-off of issuance discounts and deferred financing costs, net of tax benefits of $0.6 million. We also recorded an extraordinary loss of $29.1 million during the third quarter of 2000.

Net Income (Loss). Net income for the three months ended September 29, 2001 was $10.5 million, an increase of $34.8 million from a loss of $24.3 million for the three months ended September 23, 2000. The increase is attributable to the reasons mentioned above.

Liquidity and Capital Resources

Cash and cash equivalents of the Company totaled $78.3 million at September 29, 2001 compared with $33.1 million at December 30, 2000. Our principal sources of liquidity are cash from operations as well as cash provided by our public offerings.

Net cash provided by operating activities for the nine months ended September 29, 2001 and September 23, 2000 was $35.2 million and $21.4 million, respectively. The increase in cash provided by operations is primarily a result of our improved performance during the first nine months of 2001.

Net cash used in investing activities during the nine months ended September 29, 2001 and September 23, 2000 was $76.0 million and $7.5 million, respectively. The increase in cash used is a result of our business acquisitions. During the first nine months of 2001, we used net cash of $55.3 million to acquire PAI, Primedica and GMI. In the first quarter of 2000, we used net cash of $6.0 million to acquire an additional 16% of equity in Charles River Japan. Also in order to grow our existing businesses, we have incurred capital expenditures for the nine month periods ended September 29, 2001 and September 23, 2000 of $20.5 million and $8.5 million, respectively.

Net cash provided by financing activities during the nine months ended September 29, 2001 and September 23, 2000 was $86.7 million and $0.9 million, respectively. During March 2001 and July 2001, we consummated follow-on offerings which netted $116.7 million in proceeds. We used $66.5 million of the proceeds to repay portions of our existing debt. We plan to use the remaining proceeds to repay additional portions of our existing debt and for general corporate purposes. Also the Company received $40.0 million from our bank financing which was used to purchase PAI and Primedica.

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

Quantitative and Qualitative Disclosure About Market Risk

We are subject to market risks arising from changes in interest rates and foreign currency exchange rates. Our primary interest rate exposure results from changes in LIBOR or the base rate which are used to determine the applicable interest rates under our term loans and revolving credit facility. We have entered into an interest rate protection agreement designed to protect us against fluctuations in interest rates with respect to at least 50% of the aggregate principal amount of the term loans and the senior subordinated notes. Our potential loss over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate on all of our variable rate obligations would be approximately $1.3 million. Fluctuations in interest rates will not affect the interest payable on the senior subordinated notes, which is fixed.

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

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

Recently Issued Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 (FAS 141), "Business Combinations" and No. 142 (FAS 142), "Goodwill and Other Intangible Assets." FAS 141 supercedes Accounting Principles Board Opinion No. 16, "Business Combinations." FAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires that unallocated negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. Provisions of FAS 141 will be effective for the Company's business acquisitions that are consummated after July 1, 2001. FAS 142 supercedes Accounting Principles Board Opinion No. 17, "Intangible Assets," and addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Under FAS 142, goodwill and indefinite lived intangible assets will no longer be amortized but will be tested for impairment at least annually at the reporting unit level. In addition, the amortization period of intangible assets with finite lives will no longer be limited to forty years. The general provisions of FAS 142 will be effective for the Company as of the beginning of fiscal 2002. However, certain provisions will be effective for all business acquisitions consummated after June 30, 2001. Management believes the adoption of FAS 142 in fiscal 2002 will result in a significant decrease in amortization of goodwill and intangibles on the consolidated statement of income and is currently in the process of assessing other impacts from FAS 142.

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

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

Factors Affecting Future Results

This document contains forward looking statements. You can identify these statements by forward looking words such as "may", "will", "expect", "anticipate", "believe", "estimate" and "continue" or similar words. You should read statements that contain these words carefully because they discuss our future expectations, projections of our future results of operations or of our financial condition or state other "Forward looking" information. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from those discussed as a result of various factors, including contaminations at our facilities, changes in the pharmaceutical or biotechnology industries, competition and changes in government regulations or general economic or market conditions. These factors should be considered carefully and readers should not place undue reliance on our forward looking statements. You should be aware that the occurrence of the events described in "Management's Discussion and Analysis of Financial Condition and Result of Operations" and elsewhere in this document could harm our business, operating results and financial condition. All forward looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and Risk Factors contained in Company's SEC filings and CRLI's SEC filings including the Form S-3, filed on July 6, 2001. We are under no duty to update the forward looking statements after the date of this documents or to conform these statements to actual results.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

FORM 10-Q

For the Quarterly Period Ended September 29, 2001

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits filed during the quarter

99.1* Charles River Laboratories International, Inc. 2000 Incentive Plan Inland Revenue Approved Rules for UK Employees

(b) No Reports on Form 8-K were filed during the quarter ended September 29, 2001

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* Filed herewith

SIGNATURE

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.

November 5, 2001

/S/ THOMAS F. ACKERMAN

Thomas F. Ackerman
Sr. Vice President and Chief Financial Officer

QuickLinks

Exhibit 99.1

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

2000 INCENTIVE PLAN

INLAND REVENUE APPROVED RULES FOR

UK EMPLOYEES

(THE "SUB-PLAN")

Adopted by the Company on: 10th July 2001

Approved by the Inland Revenue on:

Inland Revenue reference no: X21610

PRICEWATERHOUSECOOPERS
ONE KINGSWAY
CARDIFF CF10 3PW

TEL: 02920 237000
FAX: 02920 802400

REF: SQ/JJ/SL

SCHEDULE

CHARLES RIVER LABORATORIES INTERNATIONAL, INC
2000 INCENTIVE PLAN
INLAND REVENUE APPROVED RULES FOR
UK EMPLOYEES
(THE "SUB-PLAN")

1. GENERAL

This schedule to the Charles River Laboratories International, Inc. 2000 Incentive Plan ("the Plan") sets out the Inland Revenue Approved Rules for UK Employees ("the Sub-Plan").

2. ESTABLISHMENT OF THE SUB-PLAN

Charles River Laboratories International, Inc. ("the Company") has established the Sub-Plan under Section 7 of the Plan, which authorises the Company to establish Sub-Plans to the Plan.

3. PURPOSE OF THE SUB-PLAN

The purpose of the Sub-Plan is to enable the grant to, and subsequent exercise by, employees and directors in the United Kingdom, on a tax favoured basis, of Options to acquire Shares in the Company under the Plan.

4. INLAND REVENUE APPROVAL OF THE SUB-PLAN

The Sub-Plan is intended to be approved by the Inland Revenue under Schedule 9 to ICTA 1988.

5. RULES OF THE SUB-PLAN

The rules of the Plan, in their present form and as amended from time to time, shall, with the modifications set out in this schedule, form the rules of the Sub-Plan. In the event of any conflict between the rules of the Plan and this schedule, the schedule shall prevail.

6. RELATIONSHIP OF THE SUB-PLAN TO THE PLAN

The Sub-Plan shall form part of the Plan and not a separate and independent plan.

7. INTERPRETATION

In the Sub-Plan, unless the context otherwise requires, the following words and expressions have the following meanings:

ACQUIRING COMPANY	a company which obtains Control of the Company in the circumstances referred to in rule 26;
APPROVAL DATE	the date on which the Sub-Plan is approved by the Inland Revenue under Schedule 9 to ICTA 1988;
ASSOCIATED COMPANY	the meaning given to that expression by section 187(2) of ICTA 1988;
CLOSE COMPANY	the meaning given to that expression by section 414(1) of, and paragraph 8 of Schedule 9 to, ICTA 1988;
CONSORTIUM	the meaning given to that word by section 187(7) of ICTA 1988;
CONTROL	the meaning given to that word by section 840 of ICTA 1988 and "Controlled" shall be construed accordingly;
DATE OF GRANT	the date on which an Option is granted to an Eligible Employee determined in accordance with the Grant Documentation;
ELIGIBLE EMPLOYEE	an individual who falls within Section 3 of the Plan and who is: (a) an employee of the Company or a company participating in the Sub-Plan; or (b) a director of the Company or a company participating in the Sub-Plan who is contracted to work at least 25 hours per week for the Company and its subsidiaries or any of them (exclusive of meal breaks) and who, in either case, does not have at the Date of Grant of an Option, and has not had during the preceding twelve months, a Material Interest in a Close Company which is the Company or a company which has Control of the Company or a member of a Consortium which owns the Company;

GRANT DOCUMENTATION the documentation issued to an Option Holder at the time an Option is granted including an award agreement and any certificate or grant notice;

ICTA 1988 the Income and Corporation Taxes Act 1988;

MARKET VALUE

(a) in the case of an Option granted under the Sub-Plan:

(i) if at the relevant time the Stock is listed on the London or New York Stock Exchange the mean between the highest and lowest reported sale prices of a Share on the London or New York Stock Exchange as reported in the Financial Times or Wall Street Journal respectively, for the dealing day immediately preceding the Date of Grant of the Option;

(ii) if paragraph (i) does not apply, the market value of a share as determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance with the Inland Revenue Shares Valuation Division on the Date of Grant of the Option or such earlier date or dates (not being more than thirty days before the Date of Grant) as may be agreed with the Board of the Inland Revenue;

(b) in the case of an option granted under any other share option scheme, the market value of an ordinary share in the capital of the Company determined under the rules of such scheme for the purpose of the grant of the option;

MATERIAL INTEREST the meaning given to that expression by section 187(3) of ICTA 1988;

NEW OPTION an option granted by way of exchange under rule 26.1;

NEW SHARES the shares subject to a New Option referred to in rule 26.1;

OPTION	a subsisting right to acquire Shares granted under the Sub-Plan;
OPTION HOLDER	an individual who holds an Option or, where the context permits, his legal personal representatives;
ORDINARY SHARE CAPITAL	the meaning given to that expression by section 832(1) of ICTA 1988;
SHARES	Shares of stock; and
STOCK EXCHANGE	One of the following exchanges: (a) the London Stock Exchange; (b) the New York Stock Exchange; (c) the Alternative Investment Market; or (d) another "recognised stock exchange" (as that expression is defined in the Financial Services Act 1986).

In this schedule, unless the context otherwise requires:

words and expressions not defined above have the same meanings as are given to them in the Plan;

the rule headings are inserted for ease of reference only and do not affect their interpretation;

a reference to a rule is a reference to a rule in this schedule;

the singular includes the plural and vice-versa and the masculine includes the feminine; and

a reference to a statutory provision is a reference to a United Kingdom statutory provision and includes any statutory modification, amendment or re-enactment thereof.

8. COMPANIES PARTICIPATING IN THE SUB-PLAN

The companies participating in the Sub-Plan shall be the Company and any company Controlled by the Company which has been nominated by the Company to participate in the Sub-Plan.

9. SHARES USED IN THE SUB-PLAN

The Shares shall form part of the Ordinary Share Capital of the Company and shall at all times comply with the requirements of paragraphs 10 to 14 of Schedule 9 to ICTA 1988.

10. GRANT OF OPTIONS

An Option granted under the Sub-Plan shall be granted under and subject to the rules of the Plan as modified by this schedule.

11. IDENTIFICATION OF OPTIONS

It shall be expressly stated in the Grant Documentation issued in respect of an Option that such documentation is issued in respect of an Option. An Option which is not so identified shall not constitute an Option.

12. CONTENTS OF GRANT DOCUMENTATION

The Grant Documentation issued in respect of an Option shall state:

12.1 that the grant is in respect of the Option;

12.2 the date of grant of the Option;

12.3 the number of Shares subject to the Option;

12.4 the exercise price under the Option;

12.5 any performance target or other condition imposed on the exercise of the Option; and

12.6 the date(s) on which the Option will ordinarily become exercisable.

13. EARLIEST DATE FOR GRANT OF OPTIONS

An Option may not be granted earlier than the Approval Date.

14. PERSONS TO WHOM OPTIONS MAY BE GRANTED

An Option may not be granted to an individual who is not an Eligible Employee at the Date of Grant.

15. OPTIONS NON TRANSFERABLE

Not withstanding section 4.a.(4) of the Plan, an Option shall be personal to the Eligible Employee to whom it is granted and, subject to rule 25, shall not be capable of being transferred, charged or otherwise alienated and shall lapse immediately if the Option Holder purports to transfer, charge or otherwise alienate the Option.

16. LIMIT ON NUMBER OF SHARES PLACED UNDER OPTION UNDER THE SUB-PLAN

For the avoidance of doubt, Shares placed under Option under the Sub-Plan shall be taken into account for the purpose of subsection 2(a) of the Plan.

17. INLAND REVENUE LIMIT ((POUND)30,000)

Notwithstanding section 2.c of the Plan, an Option may not be granted to an Eligible Employee if the result of granting the Option would be that the aggregate Market Value of the Shares subject to all outstanding options granted to him under the Sub-Plan or any other share option scheme established by the Company or an Associated Company and approved by the Board of Inland Revenue under Schedule 9 to ICTA 1988 (other than a savings related share option scheme) would exceed sterling (pound)30,000 or such other limit as may from time to time be specified in paragraph 28 of Schedule 9 to ICTA 1988. For this purpose, the United Kingdom sterling equivalent of the market value of a Share on any day shall be determined by taking the spot sterling/US dollar exchange rate for that day as shown in the Financial Times. If the grant of an Option would otherwise cause the limit in this rule 17 to be exceeded, it shall take effect as the grant of an Option under the Sub-Plan over the highest number of Shares which does not cause the limit to be exceeded together with the grant of an Option under the Plan over the balance of the Shares.

18. EXERCISE PRICE UNDER OPTIONS

Notwithstanding subsection 4b.(2) of the Plan, the amount payable per Share on the exercise of an Option shall not be less than the Market Value of a Share on the Date of Grant and shall be stated on the Date of Grant.

19. PERFORMANCE TARGET OR OTHER CONDITION IMPOSED ON EXERCISE OF AN OPTION

Any performance target or other condition imposed on the exercise of an Option under subsection 4.a.(2) and 4.a.(5) of the Plan shall be:

19.1 objective;

19.2 such that, once satisfied, the exercise of the Option is not subject to the discretion of any person; and

19.3 stated on the Date of Grant.

If an event occurs as a result of which the Administrator considers that a performance target or other condition imposed on the exercise of an Option is no longer appropriate and substitutes, varies or waives under Section 1 or 7 of the Plan the performance target or condition, such substitution, variation or waiver shall:

19.4 be reasonable in the circumstances; and

19.5 produce a fairer measure of performance and be neither materially more nor less difficult to satisfy.

20. EXERCISE OF OPTIONS BY LEAVERS

The period during which an Option shall remain exercisable following cessation of employment shall be stated in the Option Agreement which period may not thereafter be altered.

21. LATEST DATE FOR EXERCISE OF OPTIONS

The period (term) during which an Option shall remain exercisable shall be stated in the Grant Documentation and any Option not so exercised by that time shall lapse immediately.

22. MATERIAL INTEREST

An Option may not be exercised if the Option Holder then has, or has had within the preceding twelve months, a Material Interest in a Close Company which is the Company or which is a company which has Control of the Company or which is a member of a Consortium which owns the Company.

23. MANNER OF PAYMENT FOR SHARES ON EXERCISE OF OPTIONS

The amount due on the exercise of an Option shall be paid in cash or by cheque or banker's draft and may be paid out of funds provided to the Option Holder on loan by a bank, broker or other person, although not by promissory note as provided by section 4.b.(3) of the Plan. Notwithstanding subsection 4.b.(3)(i) of the Plan, the amount may not be paid by the transfer to the Company of Shares or any other shares or securities. The date of exercise of an Option shall be the date on which the Company receives the amount due on the exercise of the Option.

24. ISSUE OR TRANSFER OF SHARES ON EXERCISE OF OPTIONS

Subject only to compliance by the Optionee with the rules of the Sub-Plan and to any delay necessary to complete or obtain:

24.1 the listing of the Shares on any Stock Exchange on which Shares are then listed;

24.2 such registration or other qualification of the Shares under any applicable law, rule or regulation as the Company determines is necessary or desirable,

the Company shall, as soon as reasonably practicable and in any event not later than thirty days after the date of exercise of an Option, issue or transfer to the Option Holder, or procure the issue or transfer to the Option Holder of, the number of shares of Stock specified in the notice of exercise and shall deliver to the Option Holder, or procure the delivery to the Option Holder of, a Share

Certificate in respect of such Shares together with, in the case of the partial exercise of an Option, an Option Agreement endorsed to show the unexercised part of the Option.

24.3 The exercise of an Option shall only be effective once the Option Holder has made provision for the payment or withholding of any taxes required to be withheld in accordance with the applicable law of any foreign jurisdiction in respect of the exercise of the Option or the receipt of the Stock.

25. DEATH OF OPTION HOLDER

If an Option Holder dies, his personal representatives shall be entitled to exercise his Options for the period specified in the Grant Documentation, which shall in no event be later than the twelve month period following his death. If not so exercised the Options shall lapse immediately.

26. CHANGE IN CONTROL OF THE COMPANY

26.1 EXCHANGE OF OPTIONS

If a company ("Acquiring Company") obtains Control of the Company as a result of making:

26.1.1 a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company; or

26.1.2 a general offer to acquire all the shares in the Company of the same class as the Shares

an Option Holder may, at any time during the period set out in rule 26.2, by agreement with the Acquiring Company, release his Option in whole or in part in consideration of the grant to him of a New Option which is equivalent to the Option but which relates to shares ("New Shares") in:

26.1.3 the Acquiring Company;

26.1.4 a company which has Control of the Acquiring Company; or

26.1.5 a company which either is, or has Control of, a company which is a member of a Consortium which owns either the Acquiring Company or a company having Control of the Acquiring Company.

26.2 PERIOD ALLOWED FOR EXCHANGE OF OPTIONS

The period referred to in rule 26.1 is the period of six months beginning with the time when the person making the offer has obtained Control of the Company and any condition subject to which the offer is made has been satisfied.

26.3 MEANING OF "EQUIVALENT"

The New Option shall not be regarded for the purpose of this rule 26 as equivalent to the Option unless:

26.3.1 the New Shares satisfy the conditions in paragraphs 10 to 14 of Schedule 9 to ICTA 1988; and

26.3.2 save for any performance target or other condition imposed on the exercise of the Option, the New Option will be exercisable in the same manner as the Option and subject to the provisions of the Sub-Plan as it had effect immediately before the release of the Option; and

26.3.3 the total market value, immediately before the release of the Option, of the Shares which were subject to the Option is equal to the total market value, immediately after the grant of the New Option, of the New Shares (market value being determined for this purpose in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992); and

26.3.4 the total amount payable by the Option Holder for the acquisition of the New Shares under the New Option is equal to the total amount that would have been payable by the Option Holder for the acquisition of the Shares under the Option.

26.4 DATE OF GRANT OF NEW OPTION

The date of grant of the New Option shall be deemed to be the same as the Date of Grant of the Option.

26.5 APPLICATION OF SUB-PLAN TO NEW OPTION

In the application of the Sub-Plan to the New Option, where appropriate, references to "Company" and "Shares" shall be read as if they were references to the company to whose shares the New Option relates and the New Shares respectively, save that in the definition of "Board" the reference to "Company" shall be read as if it were reference to Charles River Laboratories International, Inc.

26.6 INTERACTION WITH SECTION 5.a. OF THE PLAN

26.6.1 Reference in Section 5.a. of the Plan to assumption of Options, shall be disapplied for the purposes of the Sub-Plan, as shall references to the substitution of options, to the extent this is inconsistent with the provisions of this Rule 26.

26.6.2 In the event that a change of control does not fall within the meaning set out in Rule 26.1, or where it does, but the Acquiring Company does not agree to grant a New Option, or if the proposed New Option would not be regarded as `equivalent' in accordance with Rule 26.3, the outstanding Option shall be exercisable in accordance with Section 5.a. of the Plan.

26.7 COMMON STOCK SUBJECT TO OPTIONS CEASING TO FALL WITHIN RULE 9

26.7.1 Notwithstanding Section 5(a) of the Plan, if the rights carried by the shares of Stock subject to an Option are altered in such a way that the shares of Stock cease to satisfy the conditions in paragraphs 10 to 14 of Schedule 9 to ICTA 1988:

26.7.2 the Board shall, as soon as reasonably practicable, notify the Inland Revenue;

26.7.3 rule 9 shall be amended by the deletion of the words "and shall at all times comply with the requirements of paragraphs 10 to 14 of Schedule 9 to ICTA 1988"; and

26.7.4 the Sub-Plan shall continue to exist but, if the Inland Revenue withdraws approval of the Sub-Plan under Schedule 9 to ICTA 1988, as a non Inland Revenue approved scheme, rules 26.1 to 26.5 shall cease to apply.

27. RIGHTS ATTACHING TO SHARES ISSUED ON EXERCISE OF OPTIONS

All Shares issued on the exercise of an Option shall, as to any voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, rank equally in all respects and as one class with the Shares in issue at the date of such exercise save as regards any rights attaching to such Shares by reference to a record date prior to the date of such exercise.

28. AMENDMENT OF SUB-PLAN

Notwithstanding Section 7 of the Plan, no amendment of the Sub-Plan, whether taking the form of an amendment of the Plan or this schedule, shall take effect until it has been approved by the Inland Revenue.

29. ADJUSTMENT OF OPTIONS

Notwithstanding subsection 5(b) of the Plan, no adjustment may be made to an Option unless the adjustment is permitted by paragraph 29(7) of Schedule 9 ICTA 1988 and until it has been approved by the Inland Revenue.

30. EXERCISE OF DISCRETION BY ADMINISTRATOR

In exercising any discretion which it may have under the Sub-Plan, the Administrator shall act fairly and reasonably.

31. DISAPPLICATION OF CERTAIN PROVISIONS OF PLAN

The provisions of the Plan dealing with:

31.1 stock appreciation rights;

31.2 unrestricted stock;

31.3 deferred stock;

31.4 cash performance awards;

31.5 other performance awards;

31.6 grants of cash or loans;

31.7 incentive stock options;

31.8 section 4.a.(3) - alternative settlements

31.1 section 4.a.(5) - Vesting etc;31.9 31.10 section 4.a.(7) - dividend equivalents; holding back Shares in satisfaction of the exercise price or tax withholding requirements in sections 2 and 4.a.(6); and

31.12 in sections 1 and 7 to modifying, waiving, amending etc the terms of an Option subsequent to grant, other than as permitted by Rules 19 and 29,

shall not form part of, and shall be disapplied for the purposes of the Sub-Plan.
