



What does it take?

Charles River Laboratories

Relationships

It's putting longstanding relationships ... before short-term goals.

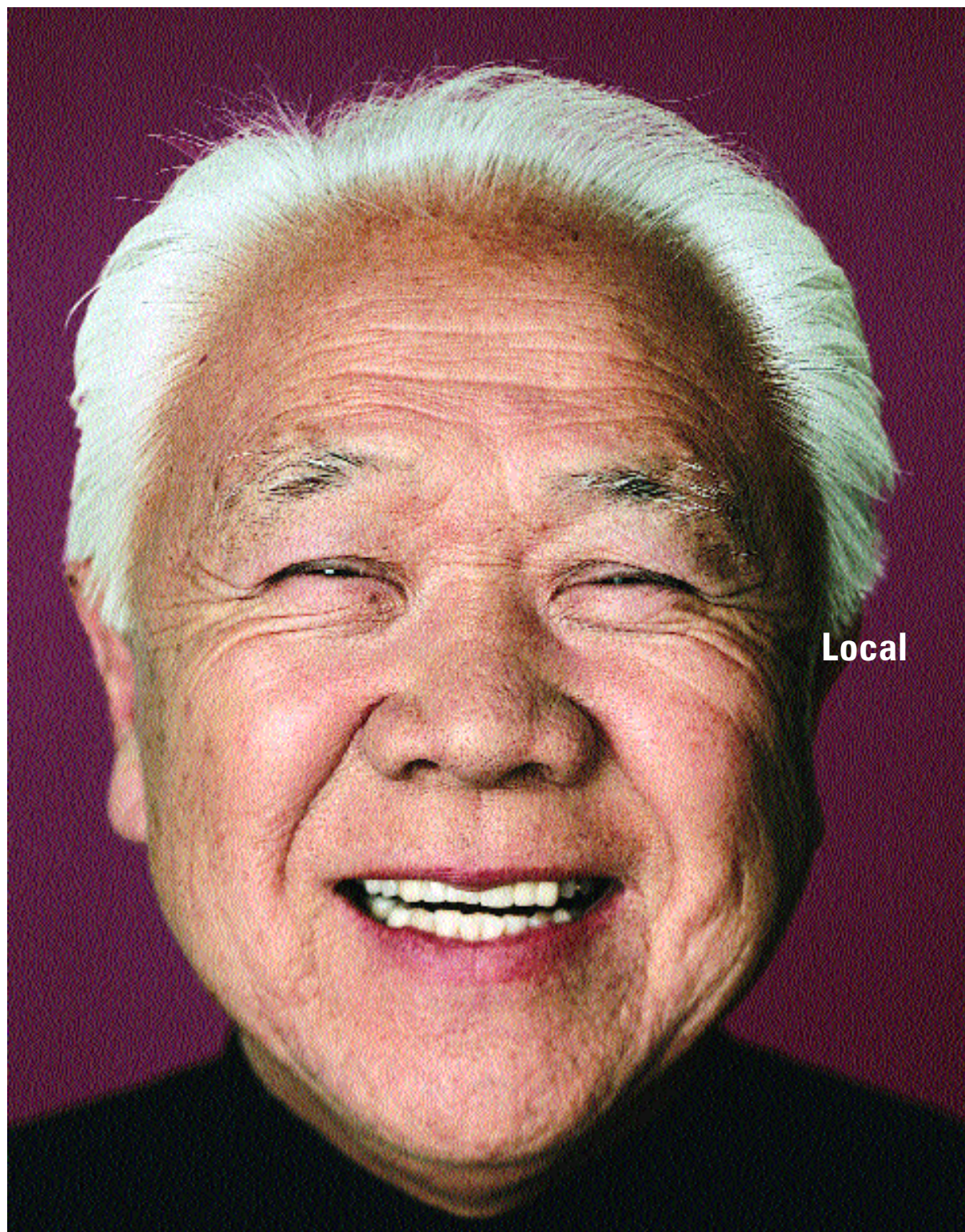
We've been a valued supplier to many of our pharmaceutical customers for more than 40 years.



Global

It's being global ... by thinking local.

With 76 locations in 15 countries around the world, we're never too far to satisfy the needs of our customers.



Science

It's making a science ... of innovation.

Our scientific achievements – from Virus Antibody Free research animal models to the first widely used in vitro test – continue to define the standard of quality for our industry.



Quality

It's ensuring consistent quality ... through exceptional focus.

Over 90% of a sample of our customers rated us favorably in our most recent annual customer satisfaction survey.

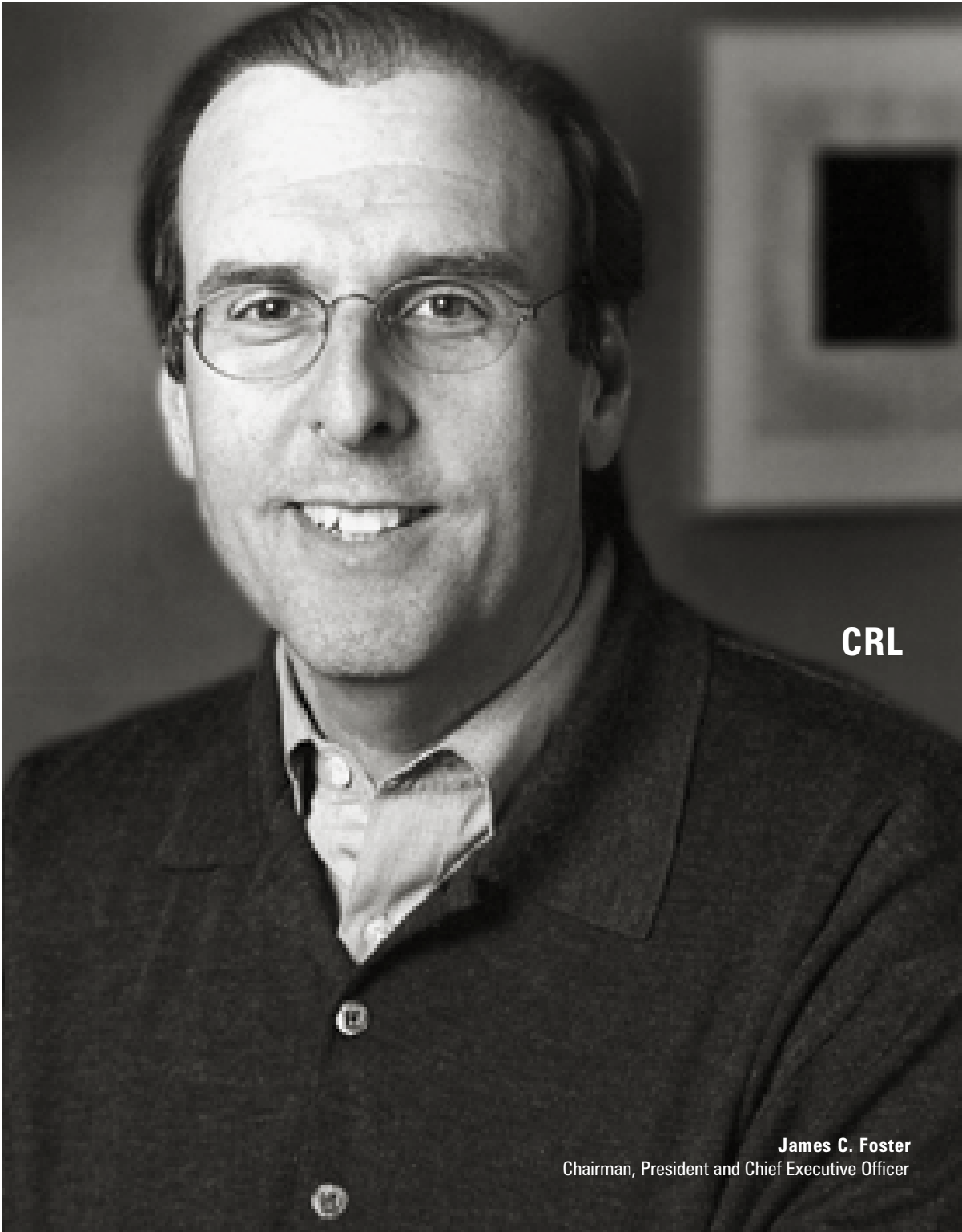


Customer Focus

People

It's our people ... CRL.

Our worldwide community of over 4000 pathologists, veterinarians, virologists, microbiologists, toxicologists, and support professionals bring countless years of experience to their work every day.



CRL

James C. Foster
Chairman, President and Chief Executive Officer

Dear Shareholders:

I'm pleased to report that in fiscal year 2001, Charles River Laboratories clearly emerged as a preeminent provider of critical, non-clinical drug discovery and development products and services worldwide. In the process, we charted a course for continued revenue growth and improved profitability in the year ahead.

When the books were closed on 2001, Charles River had recorded \$466 million in revenue, an increase of 52% over 2000. This revenue growth was complemented by a 64% increase in earnings per share before extraordinary items. In a year in which a deepening recession and the aftershocks of September 11th took their toll on many market sectors and companies, Charles River recorded an extraordinary year. The fourth quarter of 2001 also marked the sixth consecutive quarter that we exceeded Wall Street earnings estimates since our IPO in June of 2000.

— How has Charles River been able to sustain its growth in such a challenging economy? There are two primary factors: our market and our strategy.

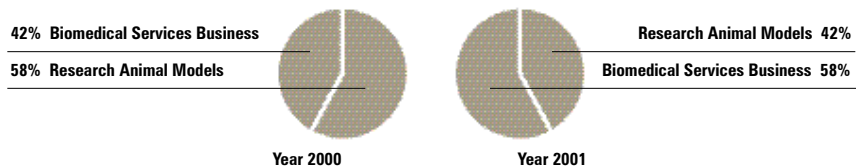
Charles River's market – pre-clinical products and services primarily for pharmaceutical and biotech companies – is growing. U.S. pharmaceutical and biotechnology research and development spending has continued its steady growth, increasing more than 15% to an estimated \$30.5 billion in 2001¹. The biotech industry, driven by innovations in genomics and proteomics, has attracted record amounts of equity capital². Investment in academic research is also growing; 2001 marked the fourth year in a row that the National Institutes of Health increased its annual research budget by more than 15%.

As these industries increase their focus on core research activities, they are turning more and more to pre-clinical outsourcing to accelerate drug discovery and reduce time to market. According to one estimate, the U.S. pre-clinical market grew from \$14.2 billion to \$16.6 billion in the past year alone³, with only about 10% of the relevant activities being outsourced currently. We are one of the industry's primary global suppliers with decades-long customer relationships, a premier reputation for scientific depth and expertise, product consistency, and leading biosecurity technology. These factors ensure that Charles River is well positioned to act as a preferred partner as the outsourcing trend grows.

¹ Source: 2001 PhRMA Annual Survey – U.S. Pharma R&D spending, domestic and abroad.

² Source: CommScan EquiDesk

³ Source: 2001 PhRMA Annual Survey – U.S. Pharma R&D spending, domestic and abroad.



– *The second reason for our sustained growth has been our ability to execute our strategy, which pursues growth in three ways: through the organic growth of our existing operations, acquisitions, and technology agreements.*

Growth Through Existing Operations

Organic growth is essential to Charles River Laboratories. In 2002, we expect to achieve organic revenue growth - that is growth without the benefit of acquisitions - approaching 15%. We are investing to accommodate that growth in a number of ways, including the construction of a new 64,000 square-foot transgenic housing facility in Wilmington, Mass., and expansion of our transgenic services in Japan.

Recently completed, the new Wilmington facility will enable Charles River to provide high-quality housing and rearing of transgenic and other research animal models in special microbiologically and genetically separate plastic film isolators. We expect that this new facility will go a long way toward fulfilling our customers' needs by effectively doubling our current isolator space and by encouraging them to utilize our space and highly trained professional staff, rather than building and staffing their own facilities.

Contract staffing services have also been an important growth area for Charles River. We currently have over 800 employees providing on-site contract staffing at nearly 30 locations around the world. Most recently, we renewed our contract with the National Cancer Institute's Frederick Cancer Research and Development Center to operate its animal production facility for the next five years. This contract will be worth \$25 million over the five-year period.

Operational efficiency is essential to earnings growth, and in 2001, we took steps to ensure that our operations remain as productive and responsive as possible. For example, we closed our Sierra San Diego, California facility and consolidated its activities into Primedica in Worcester, Mass. This has enabled us to increase and improve our medical device testing capabilities while providing better overall service to our customers. We also closed our Charles River France facility and consolidated operations at the Iffa Credo facility in France. This move better leverages the larger and more complex Iffa Credo site, and should ensure substantial improvements in operating margins at our French facility.

Growth Through Acquisitions

Charles River's performance in 2001 was greatly enhanced by the successful acquisition and integration of Pathology Associates International (PAI) and Primedica into the Charles River family. By joining forces with these two world-class organizations, we filled many key gaps in our portfolio of pre-clinical outsourced services, added operations in more than five new locations, and gained the skills and experience of 1,200 highly talented people.

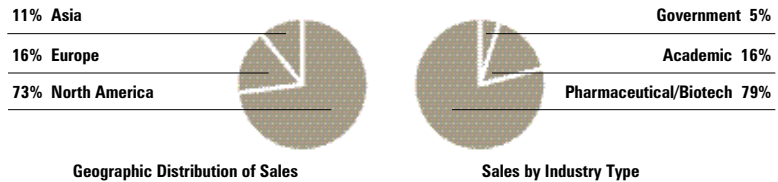
Besides contributing almost \$120 million in new revenue and making Charles River over 30% bigger, the addition of PAI and Primedica resulted in synergies and cost savings that exceeded our internal acquisition plans. In fact, the two acquisitions were collectively accretive by over \$0.10 per share in 2001.

In July, we acquired Genetic Models, Inc. (GMI) of Indianapolis. The leading provider of diabetic rat models for biomedical research, GMI enables us to expand our product line with more high-value and more predictive disease models to aid in the discovery of new treatments for diseases, including obesity, cardiovascular disease, and kidney disease. This acquisition is exemplary of future opportunities in which we intend to acquire, characterize, commercialize, and then internationalize various animal disease models. During 2001, GMI exceeded its acquisition sales plan.

Our most recent acquisition occurred after the close of the fiscal year, when we bought DakDak Photoaging Technologies, Inc. The acquisition of DakDak gives Charles River a patented in vitro technology used to help cosmetic and consumer product companies rapidly screen their skin care products for safety and efficacy in a gene-based, cell culture system. While the core technology has been validated for use with anti-aging skin products, we plan to pursue regulatory validation for use in rapid molecular screening of drugs in vitro for phototoxicity, photocarcinogenicity, and photoallergy. As with our earlier investments in in vitro endotoxin detection systems, the DakDak acquisition reflects Charles River's commitment to pursuing legitimate and validatable alternate technologies.

Growth Through Technology Investments

Acquisitions are not the only way to achieve our growth objectives. External research and development investments with other scientific leaders also give Charles River a fast and effective way to access innovative, proprietary technologies. These investments act as the equivalent of a research and development program for us, and as such, are one of the key elements in our long-term growth strategy.



For example, in July, we signed a technology development agreement with Sangamo BioSciences to apply Sangamo's novel gene regulation technologies to the creation of transgenic rat research models. Transgenic animal models are expected to offer biomedical researchers a new tool for use in the discovery and development of drugs to treat human disease. The collaboration initially involves the creation of a novel rat model for use in developing new drugs in one specific therapeutic area, but the potential exists to create a wide variety of gene-altered rat models for other diseases, as well. Such models may become key to successful genomics- and proteomics-related drug development.

Charles River entered into another agreement in 2001 – one that speaks volumes about our growing stature in the industry, our quality, and the advantages of our global production and distribution capabilities. The partner in this case is Jackson Laboratories, one of the world's premier genetic research institutions. This far-reaching and collaborative agreement designates Charles River as the exclusive, for profit distributor of the The Jackson Laboratories Jax[®] mice strains in the major markets of Europe and Asia, and as the overseas producer of selected, high demand, Jax[®] mice strains. As a result, international researchers will have enhanced access to a wide range of disease models that meet our high standards for quality and biosecurity.

Financial And Ownership Changes

The financial and ownership structure of Charles River changed significantly in 2001. We completed two secondary stock offerings, which together raised over \$115 million for the company. Between these offerings and our IPO, we have been able to reduce the interest payments on our debt from an annualized rate of over \$50 million after the LBO in 1999 to \$23 million in 2001. Also in 2001, the ownership position of the DLJ Merchant Bank was reduced to zero from its original 87.5%, and our former corporate parent, Bausch and Lomb, sold its entire remaining ownership position in the company. Along with these changes, DLJ and Bausch and Lomb representatives resigned their positions on our Board of Directors.

Looking Ahead

Charles River Laboratories enters 2002 financially strong, strategically focused, and clearly established as a premier global provider of pre-clinical biomedical products and services, and animal research models.

We are focusing on the following strategic objectives in 2002:

- *Expansion of outsource offerings in Europe and Japan. As more customers in these markets see the benefits of outsourcing critical work to competent, substantial, international providers, we are working to expand both our portfolio of outsourcing offerings and our capacity to provide them.*
- *Continued, aggressive biosecurity measures. Quality and consistency are essential to our ongoing success and we will continue to invest significantly to prevent microbiological contaminations at all Charles River animal facilities.*
- *Expansion of our humane care initiative. In addition to funding ongoing training in animal welfare, humane care, and enrichment, we will continue to seek opportunities to fund research that leads to a reduction of certain laboratory experiments utilizing animals. We have also added a senior level position – Director, Animal Welfare and Enrichment – to our staff*
- *Increased capacity and staff. We will be constructing new animal production facilities in Canada to help support our growing market share in North America. We will add capacity to our SPAFAS vaccine support facility and our drug safety testing facilities, as well as investing in facilities and increased scientific staff at PAI and Primedica to meet the growing demand for outsourcing services.*
- *More technology partnerships and acquisitions. We will pursue further acquisitions and technology investments, particularly those that offer new disease model development, new in vitro research assays, and additional preclinical services to add to our current substantial portfolio.*

As this list of priorities suggests, our success in the future will rest – as it always has – on our continued ability to do “what it takes” to satisfy the evolving needs and the rigorously high standards of our customers, among them some of the best and brightest companies in the world.

It’s a formidable challenge, but one that we at Charles River Laboratories enjoy pursuing relentlessly every day, across the globe. On behalf of all our people, thank you for your continued support.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. Foster", with a large, sweeping flourish extending to the right.

James C. Foster

Chairman, President and Chief Executive Officer





C3E

Service corridor at our Raleigh, NC facility.
Quality=Consistant Conformance to Customer Expectations

Transgenic Services For several years, the biomedical research community has focused on developing genetically-engineered animals as a more accurate model of human disease and, therefore, a better predictor of the potential success of new drug candidates. This rapidly-growing field is creating a worldwide demand for the services related to high-quality isolator rearing and rederivation of transgenic animals.

Charles River is addressing this demand by pursuing partnerships with transgenic leaders and by maintaining substantial facilities and support services. With the opening of our new transgenic services building, we have increased our isolator space by over 60,000 square feet to ensure that our customers have ready access to the transgenic animal services they need.

High Value Research Models As the scientific community's knowledge about genomics, proteomics and disease factors grows and expands, it has created opportunities to develop new animal models that are bred to test treatments for specific diseases, such as obesity, cardiovascular disease, and kidney disease. Because these disease models offer greater value to researchers than "generic" laboratory animals, they command higher prices. Charles River has steadily expanded its product line through technology investments and acquisitions to include more high value disease models – our acquisition of GMI and its diabetic rat models being the most recent example.

In Vitro Testing Historically, drug discovery has been a costly and time-consuming process. Pharmaceutical firms are faced with the daunting task of screening thousands of compounds to find new potential drugs – and with new developments in proteomics, the number of protein targets is growing into the tens of thousands. In vitro testing – the use of non-animal systems for early screening – provides a powerful tool for drug discovery by accelerating the screening process. At the same time, in vitro technologies may provide valid, verifiable adjunctive technology to assist in the discovery and development process.

Charles River's current portfolio of in vitro products includes endotoxin detection systems that test injectable drugs and devices for harmful contaminants, as well as a patented in vitro technology that uses the human gene for elastin as a photoaging and photocarcinogenesis model. This latter technology came to Charles River in 2002 as a result of our acquisition of DakDak Photoaging Technologies, Inc.

Preclinical Outsourcing Services As the need to accelerate the discovery and development process intensifies, more pharmaceutical and biotechnology firms are realizing their R&D dollars are best spent on strengthening their core competencies – not on performing functions and support services that can be handled more effectively and economically by a trusted business partner.

Charles River has responded to this need by making a commitment to provide a complete range of preclinical outsourcing services. Customers who come to us have the assurance of knowing we will provide many of the services needed to determine whether a large or small molecule is safe enough to go into the clinic and be administered to people. Our goal of a “one stop shopping” approach offers not only greater speed and convenience for our customers, but also makes the process totally transparent to them.

“Companies understand the economic advantages of outsourcing functions outside their core competencies, but they won’t take that leap of faith until they’ve built up a relationship of trust with their outsourcing partner. That’s Charles River’s greatest strength in the outsourcing market – the relationships of trust that we have developed and maintained, often over a period of decades, with our customers.”

Iva Smockova, M.S., M.B.A.
Business Manager, Transgenic Services



Relationships Over Time

"Institutional Relationships" – many extending decades and reaching far beyond the simple categories of "customer" and "supplier" – are a key reason for the success of Charles River Laboratories.

There's our relationship with the pharmaceutical company that bought its first research models from Charles River in the 1950's. Today, that same company is a multinational, multimillion-dollar customer using virtually all of our products and services. The customer recently commented that Charles River now has the size and scope to be a trusted partner in their discovery and development activities, finding that the work we've done for them is, in many ways, indistinguishable from work done internally. In a business as fast-paced and intensely competitive as pharmaceuticals, this is a tremendous comfort factor.





There's our relationship with the National Cancer Institute's Frederick Cancer Research and Development Center. A relationship that began with Charles River as a supplier of research models has grown into one in which we now manage the Center's research animal production and maintenance operations for the past seven years. The Center recently awarded us a contract to continue managing the facility for at least the next five years.

The nature of these relationships has evolved along with changes in technology, changes in business models, and changes in customer needs. But the end product is the same – a deep and abiding trust that is, for Charles River, as much of a responsibility as it is a reward.

“Customers today want a supplier who thinks more like a partner. It’s important to them because pharmaceutical and biomedical research are very much “hands on” industries, and good science depends most of all on dedicated people. That’s what we offer. True partners who go the extra mile to complete a project accurately, professionally, and on time.”

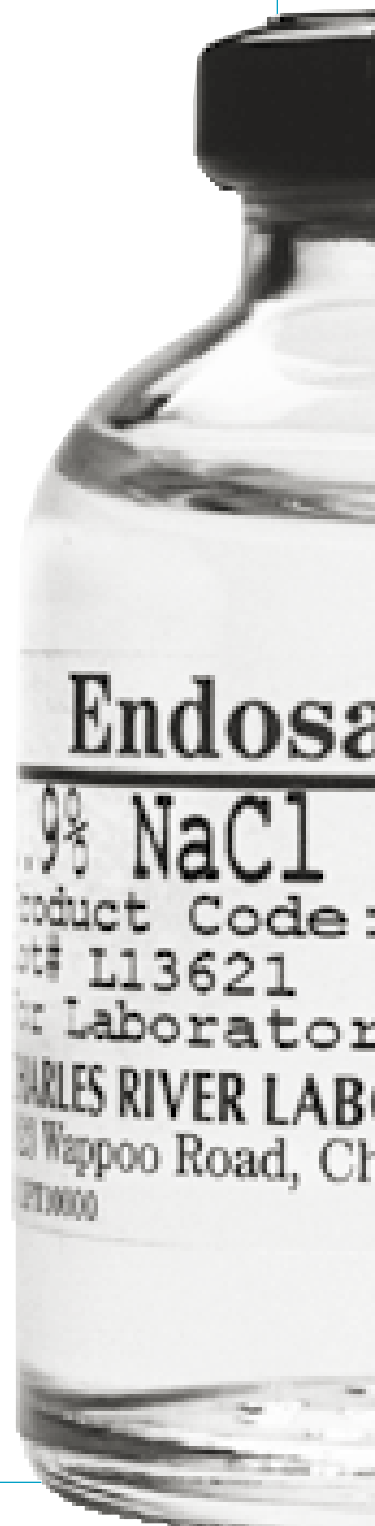
Dr. Brian F. Corning
Director of Professional Services

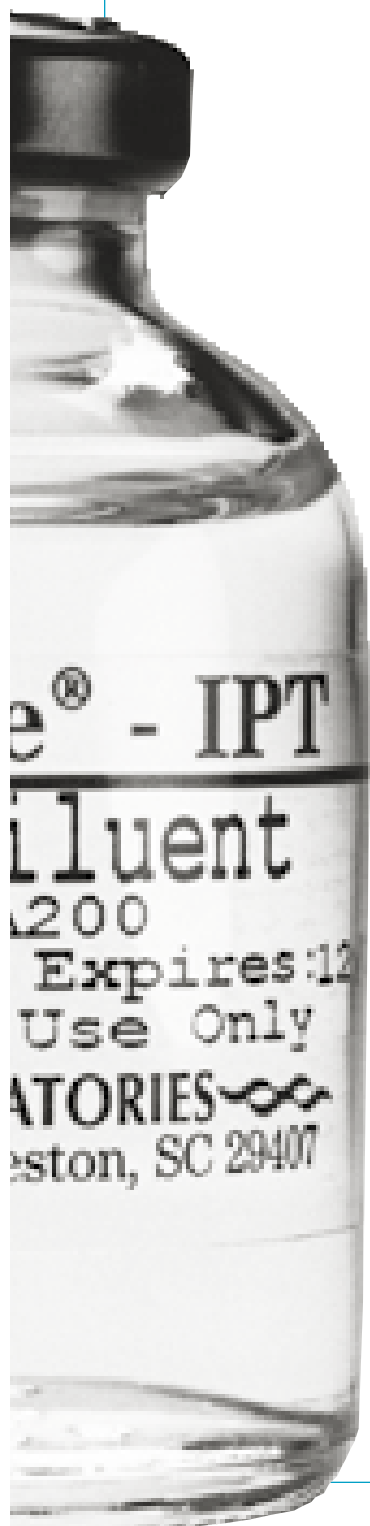


Continuing Partnerships

What does it mean to “think like a partner”? At Charles River, it means many things.

It means never resting in our pursuit of new and better ways to serve our customers. For example, we track and investigate new developments in biotechnology that could lead to innovative, more accurate, and more reliable testing methods and models. From past experience, our customers know they can trust our ability to identify and commercialize those innovations that will have the greatest impact on their development efforts. That’s why we’re constantly adding to our portfolio of in vitro testing technologies – and why we offer so many high value research models for fighting obesity, diabetes, hypertension, cancer, HIV, and other human diseases.





But as much as we value innovation at Charles River, we also value speed. If we can bring a promising new development or tool or service to our customers faster by acquiring it – or by sharing the effort with a strategic partner – we’re more than happy to do it.

Whenever we acquire a company or work jointly on a development project, we always bring something of value to the relationship. Sometimes it’s our existing customer relationships, reputation, and global infrastructure. Other times, it’s our technological expertise. But in all cases, the outcome is the same: more customers around the world gain access to the most promising new methods for accelerating drug discovery and development. Now that’s what we call good science – and being a good partner.

“There is no longer any such thing as a ‘German pharmaceutical firm’ or an ‘American biosciences company.’ To be successful, companies everywhere not only have to compete successfully in global markets, but also perform R&D on a global basis. Now, good science demands that they reduce variables to the absolute minimum. Charles River does that by providing equal access to consistent, high quality products and services wherever in the world they do business.”

Dr. Christophe Berthoux

Vice President, Charles River Europe
and Managing Director, French Operations



Worldwide Access

It's a fact: Charles River Laboratories is the only truly global supplier of research models in our industry. For our customers, that worldwide supply and service capability is more than simply a matter of convenience – it's essential. When their development work is shared among multiple facilities around the world – or when they partner on projects with other suppliers, hospitals, universities, or government agencies – they need quick access to consistent, quality products and services.

Charles River provides that access. We ensure, for example, that researchers in Japan get healthy, robust, locally-bred and locally delivered research models for their work. All over the world, we can supply products and services that are "local," with friendly, local technical service, as well as customer service and support.





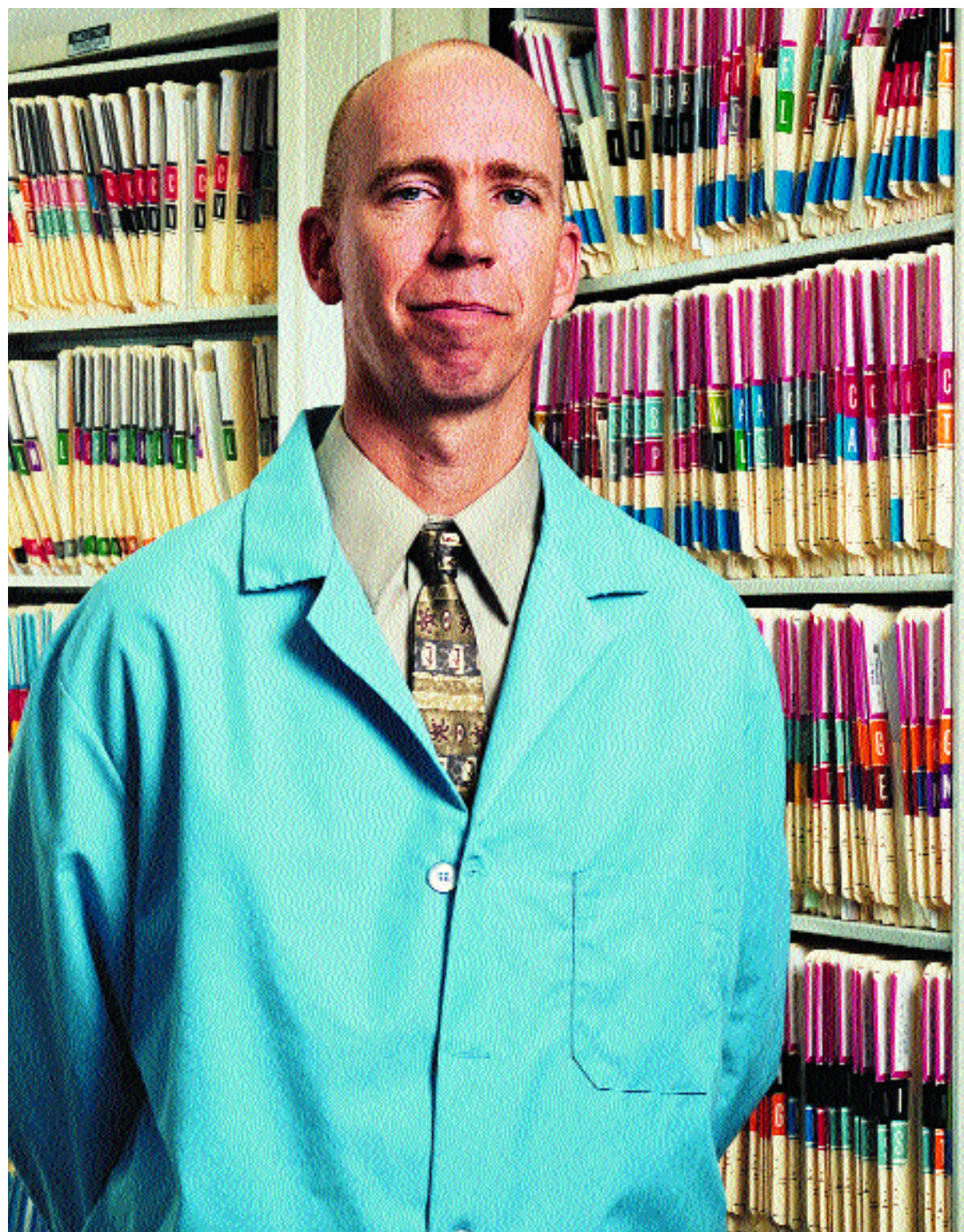
But there's more to being a global supplier than simply providing global supply. It's also about providing local expertise. With more than 250 science professionals in 15 countries, Charles River ensures that our customers can always consult with a knowledgeable expert – in their own language – about their research needs and how best to meet them.

Local expertise benefits Charles River, as well. By having so many people working so closely with our customers, we're much more in tune with their needs and concerns. We can respond to unique requests faster. We can spot industry trends sooner. And that means we can get a real jump on providing the next generation of products and services our customers will need in the future – no matter where in the world their business takes them.

“For our customers, any delay in a research and testing program can cost millions of dollars. They don’t have the luxury of time to try out a new research partner. They have to go with a sure thing. Someone who understands their business as well as they do. Someone who anticipates their needs. Someone who can sit on the same side of the table with them to assess their ongoing resource needs. Someone who can deliver the quality they demand. That’s a perfect description of Charles River.”

Dr. Mark T. Butt

General Manager, Pathology Associates Division
of Charles River Laboratories




Constant Quality

In our business, consistent, high quality – of both products and services – is one of the greatest advantages we can offer. These factors are vital in ensuring that test results are accurate, development programs move forward in a timely manner, and essential disease fighting drugs are available to the public. Charles River's well-deserved reputation for consistent quality is a powerful competitive differentiator, and it stems from an unrelenting focus on our customers.

At Charles River, we don't just talk about customer focus, we invest in it. To ensure that our customers' development efforts will not be interrupted,





we've invested in offering redundant capabilities at multiple locations around the world. To prevent our customers' test results from being compromised by microbiological or genetic contamination, we invest substantially every year to maintain our sophisticated facilities and to train staff. And we continue to fund and operate what our customers tell us is the industry's most stringent biosecurity program.

For Charles River, it's simple—Customer Focus, Quality, Speed. And in the race to develop new drugs and treatments for disease, that's the best solution a pharmaceutical or biotech company can ask for.





Charles River Laboratories

251 Ballardvale Street
Wilmington, MA 01887
(978) 658-6000
www.criver.com

