CHARLES RIVER LABORATORIES INTERNATIONAL INC
Form 10-K
February 23, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 25, 2010

OR

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

FOR THE TRANSITION PERIOD FROM TO
Commission File No. 001-15943

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**06-1397316**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
251 Ballardvale Street Wilmington, Massachusetts (Address of Principal Executive Offices)	**01887** (Zip Code)

(Registrant's telephone number, including area code): **(781) 222-6000**

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

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

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

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ý No o

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

On June 26, 2010, the aggregate market value of the Registrant's voting common stock held by non-affiliates of the Registrant was approximately $2,317,534,618.

As of February 10, 2011, there were outstanding 56,477,889 shares of the Registrant's common stock, $0.01 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for its 2011 Annual Meeting of Stockholders scheduled to be held on May 10, 2011, which will be filed with the Securities and Exchange Commission not later than 120 days after December 25, 2010, are incorporated by reference into Part III of this Annual Report on Form 10-K. With the exception of the portions of the 2011 Proxy Statement expressly incorporated into this Annual Report on Form 10-K by reference, such document shall not be deemed filed as part of this Form 10-K.

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

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PART I

Item 1. Business

General

This Annual Report on Form 10-K contains forward-looking statements regarding future events and the future results of Charles River Laboratories International, Inc. that are based on current expectations, estimates, forecasts, and projections about the industries in which Charles River operates and the beliefs and assumptions of our management. Words such as "expect," "anticipate," "target," "goal," "project," "intend," "plan," "believe," "seek," "estimate," "will," "likely," "may," "designed," "would," "future," "can," "could" and other similar expressions that are predictions of or indicate future events and trends or which do not relate to historical matters are intended to identify such forward-looking statements. These statements are based on current expectations and beliefs of Charles River and involve a number of risks, uncertainties, and assumptions that are difficult to predict. For example, we may use forward-looking statements when addressing topics such as: the pursuit of our initiatives to optimize returns for stockholders, including efforts to improve our operating margins, improve free cash flow, invest in growth businesses and return value to shareholders; goodwill and asset impairments still under review; future demand for drug discovery and development products and services, including the outsourcing of these services and spending trends by our customers; our expectations regarding stock repurchases, including our accelerated stock repurchase program, the number of shares to be repurchased, expected timing and duration, the amount of capital that may be expended and the treatment of repurchased shares; present spending trends and other cost reduction activities by our customers; future actions by our management; the outcome of contingencies; changes in our business strategy; changes in our business practices and methods of generating revenue; the development and performance of our services and products; market and industry conditions, including competitive and pricing trends; changes in the composition or level of our revenues; our cost structure; the impact of acquisitions and dispositions; our expectations with respect to sales growth and operating synergies (including the impact of specific actions intended to cause related improvements); the impact of specific actions intended to improve overall operating efficiencies and profitability (and our ability to accommodate future demand with our infrastructure); changes in our expectations regarding future stock option, restricted stock, and other equity grants to employees and directors; expectations with respect to foreign currency exchange; assessing (or changing our assessment of) our tax positions for financial statement purposes; and our cash flow and liquidity. In addition, these statements include the impact of economic and market conditions on our customers; the effects of our 2010 cost-saving actions and the steps to optimize returns to shareholders on an effective and timely basis and the ability of Charles River to withstand the current market conditions. You should not rely on forward-looking statements because they are predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document or in the case of statements incorporated by reference, on the date of the document incorporated by reference. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Form 10-K under the section entitled "Our Strategy," the section entitled "Risks Related to Our Business and Industry," the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our press releases and other financial filings with the Securities and Exchange Commission. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or risks. New information, future events or risks may cause the forward-looking events we discuss in this report not to occur.

Corporate History

Charles River has been operating since 1947 and during that time, we have undergone several changes to our business structure. Charles River Laboratories International, Inc. was incorporated in 1994. In 2000, we completed the initial public offering of Charles River Laboratories International, Inc.

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Our stock is traded on the New York Stock Exchange under the symbol "CRL" and is included in the Standard & Poor's MidCap 400, 1000 and Composite 1500 Indices, the Dow Jones US Biotechnology Index, the NYSE Composite Index and the NYSE Healthcare Sector Index, among others. We are headquartered in Wilmington, Massachusetts. Our headquarters mailing address is 251 Ballardvale Street, Wilmington, MA 01887, and the telephone number at that location is (781) 222-6000. Our Internet site is *www.criver.com*. Material contained on our Internet site is not incorporated by reference into this Form 10-K. Unless the context otherwise requires, references in this Form 10-K to "Charles River," "we," "us" or "our" refer to Charles River Laboratories International, Inc. and its subsidiaries.

This Form 10-K, as well as all other reports filed with the Securities and Exchange Commission, are available free of charge through the Investor Relations section of our Internet site as soon as practicable after we electronically file such material with, or furnish it to, the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. In addition, you may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (*http://www.sec.gov*) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Overview

We are a leading global provider of solutions that accelerate the drug discovery and development process, including research models and associated services, and outsourced preclinical services. The drug development process requires the steadily increasing investment of time and money various studies and reports estimate it takes between 10-16 years, up to $2.0 billion, and exploration of more than 10,000 drug compounds to produce a single FDA-approved drug. Charles River is positioned to leverage our core competency in *in vivo* biology in an efficient and cost-effective way to aid our customers in bringing their drugs to market faster.

We have two reporting segments: Research Models and Services (RMS) and Preclinical Services (PCS). We provide the research models required in research and development of new drugs, devices and therapies and have been in this business for over 60 years. We have built upon our core competency to develop a diverse and growing portfolio of products and services. Our wide array of tools and services enables our customers to reduce costs, increase speed and enhance their productivity and effectiveness in drug discovery and development. Our customer base includes global pharmaceutical companies, biotechnology companies, as well as government agencies, and leading hospitals and academic institutions around the world. We currently operate approximately 68 facilities in 16 countries worldwide. Our products and services, supported by our global infrastructure and deep scientific expertise, enable our customers to meet many of the challenges of early-stage life sciences research. In 2010, our net sales from continuing operations were $1.13 billion and our operating loss from continuing operations was $298.5 million.

Since 2004, we have acquired companies that have broadened our portfolio of high-end services to include general toxicology, specialty toxicology, discovery and imaging services, and biopharmaceutical services. In addition, these acquisitions significantly expanded our overall corporate size and expanded and strengthened our global footprint in the growing market for pharmaceutical research and development services.

These acquisitions, which include Piedmont Research Center LLC, Cerebricon Ltd., and Systems Pathology Company, LLC in 2009 and NewLab BioQuality AG in 2008, have been critical in our continuing mission to support our key pharmaceutical and biotechnology customers, who are increasingly seeking full service, global partners to whom they can outsource more of their preclinical research and development efforts. By some estimates, the outsourced *in vivo* discovery and drug development services markets in which we currently participate ranging from research model production through discovery services through preclinical services has a current size of approximately $5.0-6.0 billion and it is thought that this represents approximately 40% of all of the related *in vivo*

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discovery and non-clinical drug development work currently performed (with wide variances among the different services, ranging from 15% to 100% outsourced) and in the aggregate is expected to increase over time as outsourcing trends continue.

Research Models and Services (RMS). Charles River has been supplying research models to the drug development industry since 1947. With approximately 150 different strains, we continue to maintain our position as the global leader in the production and sale of the most widely used rodent research model strains, principally genetically and microbiologically defined purpose-bred rats and mice. We also provide a variety of related services that are designed to assist our customers in supporting the use of research models in drug discovery and development. With multiple facilities located on three continents (North America, Europe and Asia), we maintain production centers, including a total of approximately 185 barrier rooms or isolator facilities, strategically located near our customers. In 2010, RMS accounted for 58.8% of our total net sales from continuing operations and approximately 47.5% of our employees including approximately 116 science professionals with advanced scientific degrees.

Our RMS segment is comprised of (1) Research Models, (2) Research Model Services and (3) other related products and services.

Research Models. A significant portion of this business is comprised of the commercial production and sale of research models, principally purpose-bred rats and mice for use by researchers. We provide our rodent models to numerous customers around the world, including most pharmaceutical companies, a broad range of biotechnology companies, many government agencies, and leading hospitals and academic institutions. We have 20 production facilities located in 7 countries worldwide which are strategically located to be in close proximity to our customers. Our research models include both standard strains and disease models such as those with compromised immune systems, which are in demand as early-stage research tools. The United States Food and Drug Administration (FDA) and foreign regulatory bodies typically require that the safety and efficacy of new drug candidates be tested on research models like ours prior to testing in humans. As a result, our research models are an essential part of the drug discovery and development process.

Our rodent species have been and continue to be some of the most extensively used research models in the world, largely as a result of our continuous commitment to innovation and quality associated with the products. Our research models are bred and maintained in controlled environments which are designed to ensure that the models are free of specific viral and bacterial agents and other contaminants that can disrupt research operations and distort results. With our barrier room production capabilities, we are able to deliver consistently high-quality research models worldwide.

Our small research models include:

- outbred, which are genetically heterogeneous;
- inbred, which are genetically identical;
- hybrid, which are the offspring of two different inbred parents;
- spontaneous mutant, which contain a naturally occurring genetic mutation (such as immune deficiency); and
- other genetically modified research models, including knock-out models with one or more disabled genes and transgenic animals.

We also offer proprietary, disease-specific mouse and rat models used to find new treatments for diseases such as diabetes, obesity, and cardiovascular and kidney disease. We are presently focusing our disease model program on five areas of research: oncology, central nervous system, metabolic, cardiovascular and renal diseases.

In addition to our small research models, we also are a premier provider of high-quality purpose-bred, specific pathogen-free (SPF) large research models to the biomedical research community.

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Research Model Services. RMS also offers a variety of services, described below, designed to assist our customers in screening drug candidates. These services capitalize on the technologies and relationships developed through our research model business, and address the need among pharmaceutical and biotechnology companies to outsource the non-core aspects of their drug discovery activities. These services include those which are related to the maintenance and monitoring of research models, as well as services designed to implement efficacy screening protocols to improve the customer's drug evaluation process. We currently offer four major categories of research models services Genetically Engineered Models and Services, Consulting and Staffing Services, Discovery Services and Research Animal Diagnostic Services.

Genetically Engineered Models and Services (GEMS). In this area of our business, we assist our customers in breeding and maintenance of research models purchased or purposefully created by our customers for biomedical research activities. While the creation of a genetically engineered model (GEM) can be a critical scientific event, it is only the first step in the discovery process. Productive utilization of GEMs requires significant additional technical expertise. We provide breeding expertise and colony development, quarantine, and health monitoring, germplasm, cryopreservation, and rederivation including assisted reproduction and genetic monitoring. We provide these services to over 500 laboratories and customers around the world from pharmaceutical and biotechnology companies to hospitals and universities.

Consulting and Staffing Services. Building upon our core capability as the leading provider of high-quality research models, we manage research model care operations (including recruitment, training, staffing and management services) on behalf of government and academic organizations, as well as commercial customers. Demand for our services has been driven by the trend for research institutions to outsource internal functions or activities that are not critical to their core scientific innovation process, or for which they do not maintain the necessary resources in-house. In addition, we believe that our expertise in research model care and facility operations enhances the productivity and quality of our customers' research model programs.

Discovery Services. Augmenting our traditional model production and GEMS described above, we believe there are emerging opportunities to assist our customers in a variety of discovery, research, development and imaging areas. Expediting the development process of investigational agents by providing products and services to customers extends their internal capabilities, complements their internal expertise and helps reduce product development timelines. In addition, our *in vivo* biology expertise positions us to provide complementary disease model services, which include surgical procedures, pre-conditioning and aging. We augmented our discovery and research and development capabilities substantially in 2009 via the acquisitions of Piedmont Research Center (focusing on therapeutic efficacy studies in oncology and other therapeutic areas) and Cerebricon Ltd. (focusing on therapeutic efficacy studies for the evaluation of investigational agents for the treatment of diseases of the central nervous system). In addition, we offer therapeutic efficacy expertise in inflammation, metabolic, cardiovascular and oncologic pharmacology. The Discovery Services that we offer through our RMS business are complementary to the Discovery Support services that we offer through our PCS business.

Research Animal Diagnostic Services. We assist our customers in monitoring and analyzing the health profiles of the research models and cell lines used in their research protocols. We developed this capability internally by building upon the scientific foundation created by the diagnostic laboratory needs of our research model business. Depending upon a customer's needs, we may serve as its sole-source testing laboratory, or as an alternative source supporting its internal laboratory capabilities. We believe that the continued use, characterization and utilization of specific disease models and GEMs allows us to be well positioned to be the reference laboratory of choice for health testing of laboratory research models and an industry leader in field of animal diagnostics.

Other Related Research Model Products and Services. We also offer two other categories of products and services within RMS *in vitro* products and avian vaccine services.

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In Vitro. Our *In Vitro* business provides non-animal, or *in vitro,* methods for lot release testing of medical devices and injectable drugs for endotoxin contamination. We are committed to being the leader in providing our customers with *in vitro* alternatives as these methods become scientifically validated and commercially feasible, and toward that goal we work with and support the European Center for Validation of Alternative Methods in these efforts. Endotoxin testing uses a processed extract from the blood of the horseshoe crab, known as limulus amebocyte lysate (LAL). The LAL test is the first and most successful FDA-validated *in vitro* alternative to an animal model test to date. The extraction of blood does not harm the crabs, which are subsequently returned to their natural ocean environment. Our *In Vitro* business produces and distributes endotoxin testing kits, reagents, software, accessories, instruments and associated services to pharmaceutical and biotechnology companies worldwide. We are a market leader in endotoxin testing products and services, which are used for FDA-required quality control testing of injectable drugs and medical devices, their components and the processes by which they are manufactured.

Our growth in the *In Vitro* business is driven by our FDA approved line of next generation endotoxin testing products, which are based on the Endosafe Portable Testing System (Endosafe®-PTS) technology that allows rapid endotoxin testing in the central laboratory or manufacturing environment. In recent years we have expanded the PTS product portfolio to include a multiple sample testing system known as the Endosafe-MCS (multi cartridge system) in response to the demand of our higher testing volume customers. We anticipate continued adoption of rapid methods as our customers respond to the FDA's Process Analytical Technology (PAT) Initiative. In addition, we are planning to introduce a fully automated MCS in late 2011, which will assist in penetrating our customer's high-volume central testing laboratories. We also expect to see expanded use of this rapid endotoxin testing technology in non-traditional areas such as renal dialysis, nuclear and compounding pharmacies, and cellular therapy. In addition, we are currently exploring obtaining 510(K) medical device approval of this technology for clinical diagnostic applications.

Avian Vaccine Services. We are the global leader for the supply of specific pathogen-free, or SPF, fertile chicken eggs and chickens. SPF chicken embryos are used by animal health companies as self-contained "bioreactors" for the manufacture of live viruses. These viruses are used as a raw material primarily in poultry, as well as human, vaccine applications. The production of SPF eggs is performed under biosecure conditions, similar in many ways to our research model production. We have a worldwide presence in North America with several SPF egg production facilities in the United States, contracted production capabilities in Hungary, and a franchise operation in India. We also operate a specialized avian laboratory in the United States, which provides in-house quality control testing of the SPF flocks, offers testing services to vaccine companies and commercial poultry operations, and manufactures poultry diagnostics and bulk antigens for poultry vaccines.

Preclinical Services (PCS). Our PCS customers are principally engaged in the discovery and development of new drugs, devices and therapies.

Discovery represents the earliest stages of research in the life sciences, directed at the identification, screening and selection of a lead compound for future drug development. Discovery activities typically last anywhere from 4-6 years in conventional pharmaceutical research and development timelines.

Development activities, which follow, and which can take up to 7-10 years, are directed at demonstrating the *safety, tolerability* and *clinical efficacy* of the selected drug candidates. During the preclinical stage of the development process, a drug candidate is tested *in vitro* (typically on a cellular or sub-cellular level in a test tube or multi-well petri plate) and *in vivo* (in research models) to support planned or on-going human trials.

The development services portion of our PCS business enables our customers to outsource their critical, regulatory-required toxicology and related drug development activities to us. The demand for these services has historically been driven by preclinical development programs of biotechnology companies, which traditionally have been outsourced, and also by the selective outsourcing strategy of

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larger global pharmaceutical companies. The necessary significant investments in personnel, facilities and other capital resources required in order to efficiently conduct these activities means that global pharmaceutical and biotechnology companies have frequently chosen to outsource their development activities, allowing them to focus on their core competencies of innovation and early drug discovery and, particularly for pharmaceutical companies, promotion and market distribution.

We are one of the two largest providers of preclinical services worldwide and offer particular expertise in the design, execution and reporting of general and specialty toxicology studies, especially those dealing with innovative therapies and biologicals. We currently provide preclinical services at multiple facilities located in the United States, Canada, and Europe. We also have a small facility in Shanghai, China as to which we announced in December 2010 we are pursuing strategic alternatives. Our PCS segment represented 41% of our total net sales from continuing operations in 2010 and employed 48.0% of our employees including approximately 330 science professionals with advanced scientific degrees (excluding employees at our sites included in discontinued operations).

We currently offer the following preclinical services, in which we include both *in vivo* and *in vitro* studies, supportive laboratory services, and strategic preclinical consulting and program management to support product development:

Toxicology. Toxicology is one of our core preclinical competencies and a competitive strength. Once a lead molecule is selected, appropriate toxicology studies are conducted in support of clinical trials in humans. These toxicology studies are typically performed in laboratory models to elucidate the potential adverse effects that a compound has on an organism over a variety of doses and over various time periods, and focus on safety and assessment of harmful effects. Our toxicology services feature:

- all the standard protocols for general toxicity testing (genotoxicity, safety pharmacology, acute, sub-acute, chronic toxicity and carcinogenicity bioassays) required for regulatory submissions supporting "first-in-human" to "first-to-the-market" strategies;
- expertise in specialty routes of administration and modes of administration (e.g., infusion, intravitreal, intrathecal, and inhalation), which are important not only for the testing of potential pharmaceuticals, but also for the safety testing of medical devices, industrial chemicals, food additives, agrochemicals, biocides, nutraceuticals, animal health products and other materials;
- market-leading expertise in the conduct and assessment of reproductive and developmental toxicology studies (in support of larger scale and later-stage human clinical trials);
- services in important specialty areas such as ocular, bone, juvenile/neonatal, immuno-toxicity, photobiology and dermal testing;
- work in all major therapeutic areas;
- study design and strategic advice to our clients based on our wealth of experience and scientific expertise in support of drug development; and
- a strong history of assisting our clients in achieving their regulatory or internal milestones for safety testing, including studies addressing stem cell therapies, DNA vaccines, protein biotherapeutics, small molecules and medical devices.

Our toxicology facilities operate in compliance with Good Laboratory Practices (GLPs) as required by the FDA as well as other international regulatory bodies. Our facilities are regularly inspected by U.S. and other regulatory compliance monitoring authorities, as well as our own and our customers' Quality Assurance departments.

Pathology Services. In the drug development process, the ability to identify and characterize clinical and anatomic pathologic changes is critical in determining the safety of potential new therapeutics. We employ a large number of highly trained veterinary pathologists and other scientists who use state-of-the-art techniques to identify potential test article-related changes within tissues, fluids and cells, as well as at the

molecular level. Pathology support is critical not only for regulatory-driven

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safety studies, but also for specialized investigative studies, discovery support, and stand-alone immunohistochemistry evaluations for monoclonal antibodies. Key "go/no-go" decisions regarding continued product development are typically dependent on the identification, characterization and evaluation of gross and microscopic pathology findings we perform for our clients.

Bioanalysis, Pharmacokinetics, and Drug Metabolism. In support of preclinical drug safety testing, our customers are required to demonstrate ample drug exposure, stability in the collected sample, kinetics of their drug or compound in circulation, the presence of metabolites, and with recombinant proteins and peptides, the presence or absence of anti-drug antibodies. We have scientific depth in the sophisticated bioanalytical techniques required to satisfy these requirements for a number of drug classes. After performing sample analysis for preclinical study support, we have the opportunity to capture the benefits of bridging the preclinical bioanalysis with subsequent clinical development. Once the analysis is complete, our scientists evaluate the data to provide information on the pharmacokinetics and/or toxicokinetics of the drug, as well as complete evaluation of the distribution of the drug or metabolites. Pharmacokinetics refers to understanding what the body does to a drug or compound once administered, including the process by which the drug is absorbed, distributed in the body, metabolized, and excreted (ADME); toxicokinetics refers to the same understanding as applied to higher doses that may result in adverse effects. Our clients require these studies for the full preclinical assessment of the disposition of the drug, the results of which are used in the final preclinical safety evaluation of the compound.

Discovery Support. At the earliest stages of lead compound identification, our scientists are engaged in evaluating the activity and efficacy of drug candidates in several important therapeutic areas, including:

bone disease (using our state-of-the-art imaging and pathology capabilities);

ophthalmology (using our models of neovascularization);

general cardiovascular and device testing (using our surgical models); and

oncology.

We also offer lead optimization strategies including early pharmacokinetic, metabolism, and toxicology support to help in early integrative drug selection criteria. The Discovery Support services that we offer through our PCS business are complementary to the Discovery Services that we offer through our RMS business.

Biopharmaceutical Services. We provide specialized testing of biologics and devices frequently outsourced by global pharmaceutical and biotechnology developers. Our laboratories in the United States, Germany, Scotland and Ireland provide timely, compliant molecular biology, virology, bioanalytical, immunochemistry, microbiology and related services. We confirm that biological processes and the drug candidates produced are consistent, correctly defined, stable and essentially contaminant free. This testing is required by the FDA and other global regulatory authorities for our customers to obtain new drug approvals, to maintain government licensed manufacturing facilities and to release approved therapeutic products for patient treatment.

Our manufacturing services group grows and stores well-characterized early-stage client cell lines for later development or manufacture of therapeutic proteins and vaccines for clinical trials. We also collaborate with clients on process development, validation, and manufacturing scale-up.

Discontinued Operations ***Phase I Clinical Trials***

We currently offer Phase I clinical research services through our clinic in Tacoma, Washington; however, we have announced that we are currently pursuing strategic alternatives for this business and are no longer including this business unit in our continuing operations. Phase I clinical trials are usually short duration studies conducted on a small number (20-100) of healthy human subjects (although

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special populations can be used) under highly controlled conditions. Testing is usually performed where trial participants can be closely monitored in a secure environment, such as at a clinic-type facility or hospital. Our clinical services capabilities are located at our premier Phase I clinic in Tacoma, Washington, with a capacity of 250 beds.

The Phase I clinical trials and other services we currently provide at our Tacoma site are subject to a specific regulatory environment. Human clinical trials are conducted in a progressive fashion beginning with Phase I, and in the case of approved drugs, continued through Phase IV trials. Phase I studies are the initial human clinical trials and are conducted with a small number of subjects under highly controlled conditions. These clinical trials and services are performed in accordance with the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use Good Clinical Practice Consolidated Guidance and in compliance with regulations governing the conduct of clinical investigations and the protection of human clinical trial subjects. FDA regulations do not require a quality assurance program; however, our Phase I facility has an established quality assurance unit that monitors the conduct and reporting of Phase I trials to assure that these trials are conducted in compliance with appropriate regulatory requirements.

Our Strategy

Our objective is to be the preferred strategic global partner for our clients in accelerating the search for drugs and other therapies. From fundamental research to *in vivo* discovery through preclinical development our goal is to deliver a comprehensive portfolio of early-stage products and services for academic research, drug discovery and development and to partner with our clients by providing the greatest value and strategic benefit. As a premier contract research organization with a portfolio of products and services that spans the early-stage development platform (from research models through preclinical development), we are able to collaborate with clients at the earliest stages, when critical decisions are made regarding which therapeutic agents will remain in development, and to work alongside them as drug candidates move downstream through the preclinical development process. In particular, our recognized expertise in *in vivo* biology throughout our RMS and PCS businesses provides us with a competitive advantage in understanding our customer's drug candidates, and the challenges faced during the discovery and development process, including non-GLP efficacy and safety testing critical for "go/no-go" decision-making.

Our business is primarily driven by the trend towards virtualization of, and increase in outsourced services by, our customers, along with research and development spending by pharmaceutical and biotechnology companies, the federal government and academic institutions. Outsourcing allows our customers to concentrate their internal expertise and resources on early drug discovery (and for more mature companies, marketing), while continuing to advance their most promising products through the development pipeline. This creates opportunities for companies such as ours who can help optimize our clients' programs and assist in accelerating their drug discovery and development process. Our strategy is to capitalize on these opportunities by continuing to build our portfolio of premium, value-added products and services through internal development and investment, augmented by strategic targeted "bolt-on" transactions.

Charles River is positioned to address our customers' future needs and improve the efficiency and speed of their drug development activities, as we provide a multi-faceted value proposition that enables us to:

- provide external expertise which may be too costly for our customers to build and/or maintain in-house;
- leverage integrated offerings from our two business segments (RMS and PCS);
- partner with customers to allow them to compensate for recent capacity and/or staff reductions;
- provide flexible arrangements to better balance our clients' workload/staff requirements (often reducing their personnel and operating costs);

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provide customized solutions across therapeutic area;

draw upon our higher utilization and efficiencies to our clients' advantage (including the use of purpose-built facilities designed for high throughput);

address our customers' demands for "non-core" but strategically important *in vivo* biology activities and specialty services, such as general and specialty toxicology and program management, that are prohibitive for customers to maintain in-house; and

provide additional value to our customers through broad-based partnerships across the breadth of the Charles River portfolio.

In today's business environment, we believe there is a particular advantage in being a global, full service, high-quality provider of non-clinical services throughout the drug discovery and development continuum. Many of our customers, especially large pharmaceutical companies, are attracted to Tier 1 contract research organizations with a full breadth of capabilities, and choose to establish preferred provider relationships with only a small number, which allows them to simplify their relationship management as well as access greater value from their outsourcing partner. Recent trends suggest that large pharmaceutical restructurings, with increased focus on key therapeutic areas, may favor larger contract research organizations who can present customers with the benefits of economies of scale and scope, extensive therapeutic area expertise, global footprint and simplified communications and coordination. Those companies with critical mass and financial stability are likely to have an advantage, as we expect that customers will gravitate towards placing studies with providers they can rely upon. We are focused on being recognized as a premier preferred provider and building broader and deeper long-term strategic partnerships with our customers. Accordingly, with many of our largest customers, we enter into global preferred provider agreements that span both segments of our business. In addition, in response to individual customer needs, we remain flexible and open to broad-based multi-year partnering arrangements which may take various and customized forms, and which tap into the broad array of physical and/or service resources that we provide (e.g. reserving dedicated space within existing facilities; building out space to a particular specification; working within our clients' infrastructure; and occasionally establishing a new facility).

This strategy and focus has been developed in recognition of the needs and desires of our customers who are increasingly facing pressure to manage their research and development costs while at the same time maintaining or developing a strong pipeline of innovative new drugs, conduct research and development in multiple countries simultaneously and identify, hire and retain a breadth of scientific and technical experts. It is both risky and expensive to bring a new prescription drug to market. It is estimated that only 4 in 5,000 - 10,000 investigational drugs that begin preclinical testing will progress to human testing, and only one of those will be approved for human use. According to various reports, it takes 10 to 16 years and costs in the range of $180 million to $2.0 billion, with an average cost of over $900 million, to bring a new drug to market ($1.2 billion for a biologic). Furthermore, costs associated with developing new drugs and biologics are increasing due to a variety of factors, including:

price inflation;

fast moving technological advances (high-throughput screening, combinatorial chemistry, genomics, proteomics) which have increased the investment costs to conduct research and development;

increased challenges in addressing "unmet needs" (e.g. chronic diseases);

increased costs and extended timelines due to the difficulty in conducting global clinical trials; and

increasing clinical trial complexity, size and extended timelines due to increased requirements to demonstrate efficacy, safety and cost effectiveness.

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In order to convert largely fixed costs into variable expenses and to facilitate and speed their research, our pharmaceutical and biotechnology customers are making strategic decisions to outsource a portfolio of services to high-quality full service providers like us. During the past decade, we believe that the growth of outsourcing by our customers has been driven by a unique confluence of events, including:

- the current outlook for drugs coming off patent protection and resulting threats from generic drug manufacturers, which are expected to affect a large percentage of these companies' existing revenues;
- the reduction over the past decade in the growth rate of drugs gaining approval;
- increased pressure (1) to find drugs to cure and manage chronic diseases, many of which are complex and affect small and/or aging patient populations and (2) to develop specialty and orphan drugs, in both cases increasing risk and cost of development while segmenting and shrinking the patient populations from blockbusters to smaller, more specialized indications;
- continued productivity and cost containment pressures on the medical device, diagnostics and biopharmaceutical industries due in part to escalating global healthcare costs, increasing concentration of buying power attributable to larger payors and governments, while customers in those fields simultaneously need to manage increased financial focus on operating margins and returns;
- increasing globalization of drug development (particularly increased research and development activity in developing countries);
- heightened regulatory authority scrutiny worldwide, particularly concerning drug safety; and
- scrutiny of the medical value of new drugs being developed as compared to established therapies.

Over the last 2-3 years, our customers have faced a more challenging market environment. Among the factors that have affected them, we have seen the following have the most material impact and negatively affect outsourcing trends:

- large pharmaceutical companies have intensified their cost-savings and efficiency actions, and have announced significant initiatives to improve their research and development productivity and rationalize their drug pipelines. This focus has been manifested through consolidation and reductions in infrastructure, spending constraints, pricing pressures and project delays and cancellations, as well as for a stronger emphasis on later-stage products as they reprioritized compound pipelines (focusing on the back-end of their pipelines in the near-term) and moderated their spending per drug candidate;
- biotechnology customers, particularly those that are cash-flow negative, have been highly focused on rationing their liquid assets in a challenging funding environment. Funding has been improving, as large pharmaceutical companies have partnered with or acquired smaller biotechnology companies, and has been supplemented to a lesser extent by the capital markets. However, the universe of biotechnology companies has declined throughout this period, which has resulted in less robust spending overall;
- sponsor consolidation, particularly several large and mid-sized biopharmaceutical company mergers;
- many customers have narrowed their pipelines to focus on a smaller number of similar, high-potential therapeutic areas which may yield the greatest returns (with particular focus and competition in oncology, metabolism/obesity, autoimmune/inflammatory, central nervous system and infectious disease);

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- many larger customers have diversified their technology platform bases and have extended their portfolios into biologics (therapeutic proteins, antibodies, RNAi and vaccines) while retaining their core expertise in small molecules;

- our customers generally have been focused on near-term cost controls as they contend with the challenges of the unstable global economy and the expiration of patents on blockbuster drugs; and

- senior management turnover and structural realignment has resulted in some internal turmoil and slower decision-making in some of our larger customers while they finalize and roll-out their restructuring plans.

From a broad perspective, over the past 18-24 months, the large pharmaceutical industry has re-examined its research and development model, which has been struggling in recent years with few novel therapeutics developed, notwithstanding significant research and development spending. We believe three major conclusions have been reached by the industry participants:

- better use of translational medicine may reduce the failure rate of drugs in clinical testing;

- integrating the discovery to proof-of-concept process under a unified leadership structure will allow for improved management and control of the development process; and

- research and development spending needs to be rationalized further.

While the consequences of these factors and conclusions have mitigated the outsourcing growth rate trend in the short-term, we believe that these changes will provide enhanced outsourcing opportunities going forward. In fact, we remain optimistic that with the completion of the major mergers and the stabilization of other of the factors addressed above, including the successful launch of new therapies currently in late-stage development, the pharmaceutical industry will return to focusing on driving drugs and therapies through preclinical development. Also, we believe that as larger pharmaceutical companies become leaner and more efficient, generally focusing on their core competencies of fundamental research and development and commercialization, they will also continue to be conservative in their staffing and further reduce their in-house expertise. This should lead to reinvigoration of outsourcing as they choose to utilize external resources rather than invest in internal infrastructure. In the aggregate, we believe that the evolving large pharmaceutical research and development model will make our essential products and services even more relevant to our clients, and allows them to leverage our integrated offerings and expertise to drive their R&D efficiency and cost effectiveness.

In recognition of the changes in demand for our products and services, starting in 2009, we began to take decisive actions to address the accelerating changes taking place in the biopharmaceutical industry. These actions have been designed to drive shareholder value by aligning our infrastructure to current demand, rigorously managing our operating costs, and increasing our stock repurchases. Nonetheless, the combination of reduced customer demand, cost containment initiatives pursued by our customers and excess capacity within our industry generally has resulted in significant pricing pressure beginning in late 2008 and continuing through 2010. In response, we have taken significant steps during the past two years to better support our customers in today's challenging environment, identify new strategies to enhance client satisfaction, improve operating efficiencies and generally strengthen our business model, and provide value to shareholders:

- In 2009 we closed or disposed of less efficient sites including PCS Arkansas and our Phase I facility in Scotland (as well as two small RMS sites in Hungary and Belgium), and reduced headcount by about 1,000 (primarily throughout our PCS segment). As part of those headcount reductions, in early 2010, we decided to suspend operations at our PCS Massachusetts site.

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Also in 2009 we announced two internal organizational restructurings that affected our PCS business and our Sales and Marketing organization:

PCS Organizational Realignment: We restructured our PCS business to create a dual accountability structure with both global functional teams and site-level management. This structure centralized and integrated our global PCS portfolio and united expertise from various facilities to support our client programs, regardless of the specific site at which the program was initiated. This structure allows team members to easily share information and best practices globally, standardize operations and improve efficiencies throughout Charles River. Most importantly, it further enabled us to provide exceptional and consistent service at all levels and across all sites worldwide, which is particularly important to those clients who utilize multiple Charles River sites.

Sales and Marketing Realignment: We realigned our enterprise-wide sales and marketing team with changes fully implemented at the beginning of 2010. This enhanced our client-centric focus and communications through the establishment of an integrated sales organization with a three-pronged focus on global biopharmaceutical companies, small and mid-sized pharmaceutical companies and biotechnology companies, and academic and government customers. We have designated dedicated sales professionals, enhancing our ability to meet customer needs by offering customized, tailored solutions across our entire portfolio. Overall, this reorganization allows us to provide more comprehensive coverage and support for all of the market segments among our diverse client base. More recently in 2010 we dedicated additional resources to our academic and mid-sized customers in recognition that these customers are benefiting from investment from large pharmaceutical companies and do not typically maintain large infrastructures.

We have also remained focused on internal process improvement initiatives. Specifically, we have continued our investment in our information technology systems and resources in order to better serve our customers, harmonize our data, and streamline our processes. Our most visible effort has been the roll out of our integrated enterprise resource planning (ERP) system. The first stage, which included all of our United States sites as well as our RMS site in Canada, went live at the beginning of fiscal 2010 and in the beginning of our fiscal third quarter 2010 we added our remaining PCS sites in Montreal and Edinburgh. Other locations are expected to be added in later stages. In addition, we have continued to expand our Lean Six Sigma program to reduce process cycle times, eliminate non-value added steps and optimize our operating efficiencies. Based on the initial success of the program in our PCS business segment, we have recently expanded it to RMS to attain similar operational benefits.

In July 2010, our Board of Directors authorized a $500.0 million stock repurchase program, which was increased by $250.0 million to $750.0 million on October 20, 2010. Subsequent to the initial authorization, in August 2010, we entered into an agreement to implement an accelerated stock repurchase (ASR) program with a third party investment banker to repurchase $300.0 million of common stock. In total, we received 8,871,829 shares under the ASR through its completion in February 2011. Following the completion of the ASR program, we have $397.1 million remaining on our $750.0 million stock repurchase authorization. Our present intention is to complete the initial $500.0 million of the stock repurchase authorization in 2011.

In November 2010, we announced a number of additional cost-savings actions, including a reduction of headcount by approximately 4% across our PCS, RMS and Corporate functions, the closure of a small leased PCS satellite facility in Quebec, Canada, consolidation of our Michigan Discovery Services operations with our larger facility in North Carolina; and further reductions in discretionary spending levels.

In December 2010, we announced an intensified focus on four key initiatives designed to allow Charles River to drive profitable growth and maximizing value for shareholders, and thus better

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position ourselves to operate successfully in the current and future business environment. These four key initiatives are:

- improving our consolidated operating margin (including pursuing strategic alternatives for certain non-strategic or underperforming PCS assets, including our U.S. Phase I clinic and China preclinical facility);
- improving free cash flow generation;
- disciplined investment in growth business, such as GEMS, Discovery Services, In Vitro and Biopharmaceutical Services; and
- returning value to shareholders, such as through stock repurchase programs.

In light of our actions and intensified focus, we believe that we are well positioned to exploit both existing and new outsourcing opportunities. As strategic outsourcing by our customers increases, we believe that our expertise in areas previously addressed by our customers' in-house capabilities allows us to provide a more flexible, efficient and cost-effective alternative for them. In short, because these products and services are the core of our business, we are able to build and maintain expertise and tap into economies of scale that are difficult for our customers to match within their internal infrastructure.

We intend to continue to broaden the scope of the products and services we provide across the early-stage drug development continuum primarily through internal development, which will be augmented, as needed, through focused "bolt-on" acquisitions and alliances. Our approach to acquisitions is a disciplined one that seeks to target businesses that are a sound strategic fit and that offer the prospect of enhancing shareholder value. This strategy may include geographic expansion of existing core services, strengthening our core services or the addition of a new product or service in a related or adjacent business.

In addition, as our customers narrow their focus toward specific therapeutic areas, we have increasingly aligned our services portfolio along therapeutic lines, particularly those subject to major research funding or focus, such as oncology, metabolism and obesity, autoimmune/inflammation, cardiovascular, infectious disease and central nervous system. We have also focused on adding expertise in the biologics development areas. As a result of these collective efforts, we expect to be better positioned to gain market share by taking advantage of these trends, as well as broader-based collaboration across the early-stage drug development continuum.

Customers

We maintain a three-pronged sales organization with a focus on:

- global biopharmaceutical companies;
- small and mid-sized pharmaceutical companies and biotechnology companies; and
- academic and government customers.

Our customers continue to consist primarily of all of the major pharmaceutical companies, many biotechnology companies, animal health, medical device, diagnostic and other life sciences companies, and leading hospitals, academic institutions, and government agencies. We have stable, long-term relationships with many of our customers. During 2010, no single commercial customer accounted for more than 5% of our total net sales.

For information regarding net sales and long-lived assets attributable to both of our business segments for the last three fiscal years, please see Note 12 included in the Notes to Consolidated Financial Statements included elsewhere in this Form 10-K. For information regarding net sales and long-lived assets attributable to operations in the United States, Europe, Canada, Japan and other countries for each of the last three fiscal years, please review Note 12 included in the Notes to Consolidated Financial Statements included elsewhere in this Form 10-K.

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Sales, Marketing and Customer Support

We have designated dedicated sales people for each our three customer segments, enhancing our ability to meet customer needs by offering customized, tailored solutions across our entire portfolio. In addition, our mid-market pharmaceutical and biotechnology customers will benefit by additional support from a combination of account managers with broad portfolio knowledge and specialists with specific scientific expertise. This allows us to provide comprehensive coverage of all of the market segments among our diverse client population.

We sell our products and services principally through our direct sales force and account management teams, the majority of whom work in North America, with the balance in Europe and the Asia-Pacific countries. In addition to interactions with our direct sale force, our primary promotional activities include organizing scientific symposia, publishing scientific papers and newsletters, webinars, and making presentations and participating at scientific conferences and trade shows in North America, Europe and Asia. We supplement these scientifically based marketing activities with internet-based marketing, advertising and direct mail. In certain locales, our direct sales force is supplemented by international distributors and agents for our products and services, particularly with respect to our *In Vitro* and Biopharmaceutical Services businesses.

Our internal marketing/product management teams support the field sales staff and account management teams while developing and implementing programs to create close working relationships with customers in the biomedical research industry. We maintain customer service, technical assistance and consulting service departments (in addition to project managers for our service businesses), which address both our customers' routine and more specialized needs and generally serve as a scientific resource for them. We frequently assist our customers in solving problems related to animal husbandry, health and genetics, biosecurity, preclinical and clinical study design, regulatory consulting, protocol development and other areas in which our expertise is widely recognized as a valuable resource by our customers.

Our marketing efforts are focused to stimulate demand for further outsourcing across our entire portfolio. We believe that our ability to provide solutions that address all aspects of *in vivo* biology are increasingly attractive to our customers, and we continue to design and market our commercial activities to deliver flexible, customized programs designed by segment to meet our clients' global and site-specific needs.

Competition

Our goal is to be a leader in each of the markets in which we participate. We compete in the marketplace on the basis of quality, reputation, responsiveness, pricing, innovation, breadth of therapeutic and scientific expertise, timeliness and availability, supported by our professional bench strength in *in vivo* biology and toxicology, global capabilities and strategically located facilities worldwide. We are able to offer a unique portfolio to support early-stage drug development through our wide range of research models and research model services, discovery and imaging services and our broad array of preclinical services, including both general and specialty toxicology.

The competitive landscape for our two business segments varies.

For RMS, our main competitors include three smaller companies in North America (each of whom has a global scope), and several smaller competitors in Europe and in Japan. Of our main U.S. competitors, two are privately held businesses and the third is a government funded, not-for-profit institution. We believe that none of our main competitors in RMS has our comparable global reach, financial strength, breadth of product and services offerings, technical expertise or pharmaceutical and biotechnology industry relationships.

As for PCS, we believe we are one of the two largest providers of preclinical services in the world, based on net service revenue. Our commercial competitors for preclinical services consist of both publicly held and privately owned companies, and it is estimated that the top eight

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participants (including Charles River) account for a significant portion of the global outsourced preclinical market, with the rest of the market remaining highly fragmented. Our PCS segment also competes with in-house departments of pharmaceutical and biotechnology companies, universities and teaching hospitals.

We believe that the barriers to entry in a majority of our business units are generally high and present a significant impediment for new market participants, particularly in those areas which require substantial capital expenditures, trained and specialized personnel, and mandate GLP-compliant practices.

Industry Support and Animal Welfare

One of our core values is a concern for and commitment to animal welfare. We have been in the forefront of animal welfare improvements in our industry, and continue to show our commitment with special recognition programs for employees who demonstrate an extraordinary commitment in this critical aspect of our business. We created our own Humane Care Initiative, which is directed by our Animal Welfare and Training Group. The goal of the initiative is to assure that we continue as a worldwide leader in the humane care of laboratory animals. Laboratory animals are an important resource that further our knowledge of living systems and contribute to the discovery of life-saving drugs and procedures. We work hand-in-hand with the scientific community to understand how living conditions, handling procedures and stress play an important role in the quality and efficiency of research. As animal caregivers and researchers, we are responsible to our clients and the public for the health and well being of the animals in our care.

We support a wide variety of organizations and individuals working to further animal welfare as well as the interests of the biomedical research community. We fund scholarships to laboratory animal training programs , provide financial support to non-profit institutions that educate the public about the benefits of animal research and provide awards and prizes to outstanding leaders in the laboratory animal medicine field.

Employees

As of December 25, 2010, we had approximately 7,500 employees (including approximately 450 professionals with advanced scientific degrees, including Ph.D.s, D.V.M.s, and M.D.s (excluding those in businesses designated as discontinued operations). Our employees are not unionized in the United States although employees are unionized at some of our European facilities, consistent with local customs for our industry. Our satisfaction surveys indicate that we have an excellent relationship with our employees.

Backlog

Our backlog for our PCS business segment from continuing operations was $219.9 million at December 25, 2010 as compared to $268.8 million at December 26, 2009. Our preclinical services are performed over varying durations, from short to extended periods of time, which may be as long as several years. We maintain an order backlog to track anticipated revenue from studies and projects that either have not started, but are anticipated to begin in the near future, or are in process and have not been completed. We only recognize a study or project in backlog after we have received written evidence of a customer's intention to proceed. We do not recognize verbal orders. Cancelled studies or projects are removed from backlog. We do not report backlog for our RMS business segment because turnaround time from order placement to fulfillment, both for products and services, is rapid.

We believe our aggregate backlog as of any date is not necessarily a meaningful indicator of our future results for a variety of reasons. First, studies vary in duration (i.e., some studies that are included in 2010 backlog may be completed in 2010, while others may be completed in later years). Second, the scope of studies may change, which may either increase or decrease their value. Third, studies included in backlog may be subject to bonus or penalty payments. Fourth, studies may be

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terminated or delayed at any time by the client or regulatory authorities for a number of reasons, including the failure of a drug to satisfy safety and efficacy requirements or a sponsor making a strategic decision that a study or service is no longer necessary. Delayed contracts remain in our backlog until a determination of whether to continue, modify or cancel the study has been made. We cannot provide any assurance that we will be able to realize all or most of the net revenues included in backlog or estimate the portion to be filled in the current year.

Regulatory Matters

As our business operates in a number of distinct operating environments and in a variety of locations worldwide, we are subject to numerous, and sometimes overlapping, regulatory environments, as described below.

The Animal Welfare Act (AWA) governs the care and use of certain species of animals used for research. The United States Congress has passed legislation which excludes laboratory rats, mice and chickens used for research from regulation under the AWA. As a result, most of our United States small animal research model activities and our avian vaccine services operations are not subject to regulation under the AWA. For regulated species, the AWA and attendant Animal Care regulations require producers and users of regulated species to provide veterinary care and to utilize specific husbandry practices such as cage size, shipping conditions, sanitation and, for certain species, environmental enrichment to assure the welfare of these animals. We comply with licensing and registration requirement standards set by the United States Department of Agriculture (USDA) for the care and use of regulated species. Our animal production facilities and preclinical facilities in the U.S. are accredited by the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC), a private, nonprofit, international organization that promotes the humane treatment of animals in science through voluntary accreditation and assessment programs. AAALAC covers all species of laboratory animals, including rats, mice and birds. Our preclinical business is also generally regulated by the USDA.

Our import and export of animals in support of several of our business units as well as our operations in foreign countries are subject to a variety of national, regional, and local laws and regulations, which establish the standards for the humane treatment, care and handling of animals by dealers and research facilities. We maintain the necessary certificates, licenses, detailed standard operating procedures and other documentation required to comply with applicable regulations for the humane treatment of the animals in our custody at our locations.

Our PCS business conducts nonclinical laboratory safety studies intended to support the registration or licensing of our clients' products throughout the world. A minor part of our RMS business also conducts similar studies for our clients. The conduct of these studies must comply with national statutory or regulatory requirements for Good Laboratory Practice (GLP). GLP regulations describe a quality system concerned with the organizational process and the conditions under which nonclinical laboratory studies are planned, performed, monitored, recorded, archived and reported. GLP compliance is required by such regulatory agencies as the FDA, United States Environmental Protection Agency, European Medicines Agency (EMA), Medicines and Healthcare Products Regulatory Agency (MHRA) in the United Kingdom, Health Canada, State Food and Drug Administration of the Peoples' Republic of China, and the Japanese Ministry of Health and Welfare. GLP requirements are significantly harmonized throughout the world and our laboratories are capable of conducting studies in compliance with all appropriate requirements. To assure our compliance obligations, we have established quality assurance units (QAU) in each of our nonclinical laboratories. The QAUs operate independently from those individuals that direct and conduct studies and monitor each study to assure management that the facilities, equipment, personnel, methods, practices, records, and controls are in compliance with GLP. Our laboratory managers use the results of QAU monitoring as part of a continuous process improvement program to assure our nonclinical studies meet client and regulatory expectations for quality and integrity.

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Our manufacturing businesses produce endotoxin test kits, reagents, cell banks used in research and biopharmaceutical production and vaccine support products. Additionally, several of our laboratories conduct identity, stability and potency testing in support of our clients' manufacturing programs. These activities are subject to regulation by the FDA and other national regulatory agencies under their respective current Good Manufacturing Practice (cGMP) regulations. We are subject to inspection on a routine basis for compliance with these regulations. These regulations require that we manufacture our products or perform testing in a prescribed manner with respect to cGMP compliance, and maintain records of our manufacturing, testing and control activities. We also maintain an Establishment License with USDA's Center for Veterinary Biologics (CVB) that covers certain of our sites which manufacture antigens used in a licensed diagnostic kit for rodents or particular to our avian vaccine services which manufacture USDA licensed antigens, antibodies, and viruses that are sold to clients for use in the manufacturing of their own USDA licensed products. Our vaccine support business also manufactures and markets three USDA licensed products that are considered final use products (Mycoplasma Gallisepticum Antigen, Mycoplasma Melegridis Antigen and Mycoplasma Synoviae Antigen), and sites involved in the manufacture of these articles are subject to regular inspection by USDA/CVB.

All of our sites are also subject to licensing and regulation under national, regional and local laws relating to the surface and air transportation of laboratory specimens, the handling, storage and disposal of laboratory specimens, hazardous waste and radioactive materials, and the safety and health of laboratory employees. Although we believe we are currently in compliance in all material respects with such national, regional and local laws (which include the USDA, the standards set by the International Air Transport Association, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), and European oversight agencies), failure to comply could subject us to denial of the right to conduct business, fines, criminal penalties and other enforcement actions.

To ensure that all business sectors comply with applicable statutory and regulatory requirements and satisfy our client expectations for quality and regulatory compliance, we have established a corporate regulatory affairs and compliance organization that oversees our corporate quality system and all quality assurance functions within the Company.

Intellectual Property

We develop and implement computer software and technically derived procedures and products intended to maximize the quality and effectiveness of our services. Although our intellectual property rights are valuable to our success, we believe that such factors as the technical expertise, proprietary know-how, ability and experience of our professionals are more important, and that, overall, these technological capabilities provide significant benefits to our clients. Where we consider it appropriate, steps are taken to protect our know-how through confidentiality agreements and through registration of title or use. In addition, we in-license technology and products from other companies when it enhances both our product and services business. In the future, in-licensing may become a larger initiative to enhancing our offerings, particularly as we focus on therapeutic area expertise. With the exception of technology related to our *In Vitro* testing business, including the Endosafe-PTS, and our pathology based software development activities through our Systems Pathology Company subsidiary, we have no patents, trademarks, licenses, franchises or concessions which are material and upon which any of the products or services we offer are dependent.

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Corporate Governance

We are committed to operating our business with integrity and accountability. We strive to meet or exceed all of the corporate governance standards established by the New York Stock Exchange, the Securities and Exchange Commission, and the Federal government as implemented by the Sarbanes-Oxley Act of 2002. Ten of the eleven members of our Board of Directors are independent and have no significant financial, business or personal ties to the Company or management and all of our Board committees (with the exception of our Executive Committee and our Strategic Planning and Capital Allocation Committee) are composed entirely of independent directors. The Board adheres to Corporate Governance Guidelines and a Code of Business Conduct and Ethics which has been communicated to employees and posted on our website. We are diligent in complying with established accounting principles and are committed to providing financial information that is transparent, timely and accurate. We have a Related Person Transactions Policy designed to promote the timely identification of such transactions and to ensure we give appropriate consideration to any real or perceived conflicts in our commercial arrangements. We have a global process through which employees, either directly or anonymously, can notify management (and the Audit Committee of the Board of Directors) of alleged accounting and auditing concerns or violations including fraud. Our internal Disclosure Committee meets regularly and operates pursuant to formal disclosure procedures and guidelines which help to ensure that our public disclosures are accurate and timely. Copies of our Corporate Governance Guidelines, Code of Business Conduct and Ethics and Related Person Transactions Policy are available on our website at www.criver.com under the "Investor Relations Corporate Governance" caption.

Item 1A. Risk Factors

Risks Related to Our Business and Industry

Set forth below and elsewhere in this Form 10-K and in other documents we file with the SEC are risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this Form 10-K. We note that factors set forth below, individually or in the aggregate, may cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

The outsourcing trend in the preclinical and clinical stages of drug discovery and development may decrease, which could slow our growth.

Over the past decade, our businesses have grown as a result of the increase in pharmaceutical and biotechnology companies outsourcing their preclinical and clinical research support activities. While many industry analysts expect the outsourcing trend to continue to increase for the next several years (although with different growth rates for different phases of drug discovery and development), a decrease in preclinical outsourcing activity could result in a diminished growth rate in the sales of one or more of our expected higher-growth areas and adversely affect our financial condition and results of operations. In fact, in 2010 our revenues for our PCS segment declined 8.8% from 2009, and 2009 revenues were down 19.5% from 2008. For additional discussion of the factors that we believe have recently been influencing outsourcing demand from our customers, please see the section entitled "Our Strategy" included elsewhere in the Form 10-K. Furthermore, our customer contracts are generally terminable on little or no notice. Termination of a large contract or multiple contracts could adversely affect our sales and profitability. Our operations and financial results could be significantly affected by these risks.

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A reduction in research and development budgets at pharmaceutical and biotechnology companies may adversely affect our business.

Our customers include researchers at pharmaceutical and biotechnology companies. Our ability to continue to grow and win new business is dependent in large part upon the ability and willingness of the pharmaceutical and biotechnology industries to continue to spend on compounds in the preclinical phase of research and development and to outsource the products and services we provide. Fluctuations in the expenditure amounts in each phase of the research and development budgets of these researchers and their organizations could have a significant effect on the demand for our products and services. Research and development budgets fluctuate due to changes in available resources, mergers of pharmaceutical and biotechnology companies, spending priorities (including available resources of our biotechnology customers, particularly those that are cash-negative, who may be highly focused on rationing their liquid assets in a challenging funding environment), general economic conditions and institutional budgetary policies. Our business could be adversely affected by any significant decrease in life sciences research and development expenditures by pharmaceutical and biotechnology companies, as well as by academic institutions, government laboratories or private foundations. In particular, studies in recent years have indicated that a majority of academic researchers are anticipating reductions in their budgets, although funds disbursed through the American Recovery and Reinvestment Act may have provided some offset. Similarly, economic factors and industry trends that affect our clients in these industries, including funding for biotechnology companies, which have suffered during the recent economic downturn, also affect their research and development budgets and, consequentially, our business as well. The economic downturn has also negatively affected us to the extent that the research and development budgets at our pharmaceutical customers have recently down their preclinical studies in favor of their later-stage products as they reprioritize compound pipelines (focusing on the back-end of their pipelines in the near-term) and moderate their spending per drug candidate. Furthermore, our customers (particularly larger bio/pharmaceutical companies) continue to search for ways to maximize the return on their investments with a focus on leaner research and development costs per drug candidate. For additional discussion of the factors that we believe have recently been influencing research and development budgets at our customers, please see the section entitled "Our Strategy" included elsewhere in the Form 10-K.

A reduction or delay in government funding of research and development may adversely affect our business.

A portion of net sales in our RMS segment is derived from customers at academic institutions and research laboratories whose funding is partially dependent on both the level and timing of funding from government sources, such as the U.S. National Institutes of Health (NIH) and similar domestic and international agencies, that can be difficult to forecast. Government funding of research and development is subject to the political process, which is inherently fluid and unpredictable. Our sales may be adversely affected if our customers delay purchases as a result of uncertainties surrounding the approval of government budget proposals. Also, government proposals to reduce or eliminate budgetary deficits have sometimes included reduced allocations to the NIH and other government agencies that fund research and development activities. Other programs, such as homeland security or defense, or general efforts to reduce the federal budget deficit could be viewed by the United States government as a higher priority. These budgetary pressures may result in reduced allocations in the future to government agencies that fund research and development activities. Although the Obama administration's stimulus packages in 2009 and 2010 included increases in NIH funding, NIH funding had otherwise remained fairly flat in recent years and a reduction in government funding for the NIH or other government research agencies could adversely affect our business and our financial results. Also, there is no guarantee that NIH funding will be directed towards projects and studies that require use of our products and services.

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Changes in government regulation or in practices relating to the pharmaceutical or biotechnology industries, including potential health care reform, could decrease the need for the services we provide.

Governmental agencies throughout the world, but particularly in the United States, strictly regulate the drug development process. Our business involves helping pharmaceutical and biotechnology companies, among others, navigate the regulatory drug approval process. Accordingly, many regulations, and often new regulations, are expected to result in higher regulatory standards and often additional revenues for companies that service these industries. However, some changes in regulations, such as a relaxation in regulatory requirements or the introduction of simplified drug approval procedures, or an increase in regulatory requirements that we have difficulty satisfying or that make our services less competitive, could eliminate or substantially reduce the demand for our services. In addition, if regulatory authorities were to mandate a significant reduction in safety testing procedures which utilize laboratory animals (as has been advocated by certain groups), certain segments of our business could be materially adversely affected.

In March 2010, the United States Congress enacted health care reform legislation intended over time to expand health insurance coverage and impose health industry cost containment measures. This legislation may significantly impact the pharmaceutical and biotechnology industries. In addition, the U.S. Congress, various state legislatures and European and Asian governments may consider various types of health care reform in order to control growing health care costs. We are presently uncertain as to the effects of the recently enacted legislation on our business and are unable to predict what legislative proposals will be adopted in the future, if any.

Implementation of health care reform legislation may have certain benefits but also may contains costs that could limit the profits that can be made from the development of new drugs. This could adversely affect research and development expenditures by pharmaceutical and biotechnology companies, which could in turn decrease the business opportunities available to us both in the United States and abroad. In addition, new laws or regulations may create a risk of liability, increase our costs or limit our service offerings. Furthermore, if health insurers were to change their practices with respect to reimbursements for pharmaceutical products, our customers may spend less, or reduce their growth in spending on research and development.

Any failure by us to comply with applicable regulations and related guidance could harm our reputation and operating results, and compliance with new regulations and guidance may result in additional costs.

Any failure on our part to comply with applicable regulations could result in the termination of ongoing research or the disqualification of data for submission to regulatory authorities. This could harm our reputation, our prospects for future work and our operating results. For example, the issuance of a notice of observations or a warning from the FDA based on a finding of a material violation by us of good clinical practice, good laboratory practice or current good manufacturing practice requirements could materially and adversely affect us. If our operations are found to violate any applicable law or other governmental regulations, we might be subject to civil and criminal penalties, damages and fines. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and damage our reputation.

In addition, regulations and guidance worldwide concerning the production and use of laboratory animals for research purposes continues to be updated. Notably, there has been a recent updating of guidance in Europe that will be implemented over a period of several years on a country-by-country basis. Because of the complexities of the formal adoption process, the finalization and implementation of this guidance will likely take three or more years. Similarly, guidance has been and continues to be developed for other areas that impact the biomedical research community on both a national and international basis, including transportation, euthanasia guidance, import and export requirements of biological materials, health monitoring requirements and the use of disinfectants. In the United States, in 2010 guidance used by the National Institutes of Health and by certain oversight agencies for the care and use of laboratory animals has been completed, and it is expected to be implemented in 2011.

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Furthermore, certain of our customers may require us to comply with this new guidance in advance of its implementation as a condition to being awarded contracts. Conforming to these new guidelines will likely cause us increased costs attributable to additional facilities, the need to add personnel to address new processes, as well as increased administrative burden, and the upgrading of existing facilities.

Our standard customer agreements contain customer-determined termination and service reduction provisions, which may result in less contract revenue than we anticipate.

Generally, our agreements with our customers provide that the customers can terminate the agreements or reduce the scope of services under the agreements with little or no notice. Customers may elect to terminate their agreements with us for various reasons, including:

- the products being tested fail to satisfy safety requirements;
- unexpected or undesired study results;
- production problems resulting in shortages of the drug being tested;
- the customer's decision to forego or terminate a particular study;
- the loss of funding for the particular research study; or
- for general convenience/customer preference.

If a customer terminates a contract with us, we are entitled under the terms of the contract to receive revenue earned to date as well as certain other costs and, in some cases, penalties. Cancellation of a large contract or proximate cancellation of multiple contracts could materially adversely affect our business (particularly our PCS segment) and, therefore, may adversely affect our operating results.

Many of our contracts are fixed price and may be delayed or terminated or reduced in scope for reasons beyond our control, or we may under-price or overrun cost estimates with these contracts, potentially resulting in financial losses.

Many of our contracts provide for services on a fixed price or fee-for-service with a cap basis and, accordingly, we bear the financial risk if we initially under-price our contracts or otherwise overrun our cost estimates. In addition, these contracts may be terminated or reduced in scope either immediately or upon notice. Cancellations may occur for a variety of reasons, and often at the discretion of the customer. The loss, reduction in scope or delay of a large contract or the loss or delay of multiple contracts could materially adversely affect our business, although our contracts frequently entitle us to receive the costs of winding down the terminated projects, as well as all fees earned by us up to the time of termination. Some contracts also entitle us to a predetermined termination fee and irrevocably committed costs/expenses.

Contaminations in our animal populations can damage our inventory, harm our reputation for contaminant-free production, result in decreased sales and cause us to incur additional costs.

Our research models and fertile chicken eggs must be free of certain adventitious, infectious agents such as certain viruses and bacteria because the presence of these contaminants can distort or compromise the quality of research results and could adversely impact human or animal health. The presence of these infectious agents in our animal production facilities and certain service operations could disrupt our contaminant-free research model and fertile egg production as well as our animal services businesses including GEMS, harm our reputation for contaminant-free production and result in decreased sales.

Contaminations typically require cleaning up, renovating, disinfecting, retesting and restarting production or services. Such clean-ups result in inventory loss, clean-up and start-up costs, and reduced sales as a result of lost customer orders and credits for prior shipments. In addition to microbiological contaminations, the potential for genetic mix-ups or mismatings also exists and may require the restarting of the applicable

colonies. While this does not require the complete clean-up, renovation and disinfection of the barrier room, it would likely result in inventory loss, additional start-up costs and

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possibly reduced sales. Contaminations also expose us to risks that customers will request compensation for damages in excess of our contractual indemnification requirements. There also exists a risk that contaminations from models that we produce may affect our customer's facilities, with similar impact to them. In some cases, we may produce or import animals carrying infectious agents capable of causing disease in man; and in the case of such a contamination or undiagnosed infection, there could be a possible risk of human exposure and infection.

All such contaminations described above are unanticipated and difficult to predict and could adversely impact our financial results. We have made significant capital expenditures designed to strengthen our biosecurity and have significantly improved our operating procedures to protect against such contaminations; however, contaminations may still occur.

Impairment of goodwill may adversely impact future results of operations.

We have intangible assets, including goodwill and other identifiable and indefinite-lived acquired intangibles on our balance sheet due to our acquisitions of businesses. The initial identification and valuation of these intangible assets and the determination of the estimated useful lives at the time of acquisition involve use of management judgments and estimates. These estimates are based on, among other factors, input from accredited valuation consultants, reviews of projected future income cash flows and statutory regulations. The use of alternative estimates and assumptions might have increased or decreased the estimated fair value of our goodwill and other intangible assets that could potentially result in a different impact to our results of operations.

We perform a test for goodwill impairment annually and whenever events or circumstances make it likely the fair value of a reporting unit has fallen below its carrying amount to determine if impairment exists. The goodwill impairment analysis is a two-step process. The first step is used to identify potential impairment and involves comparing each reporting unit's estimated fair value to its carrying value, including goodwill. Fair value is determined by using a weighted combination of a market-based approach and an income approach, as this combination is deemed to be the most indicative of our fair value in an orderly transaction between market participants. Under the market-based approach, we utilize information about our Company as well as publicly available industry information to determine earnings multiples and sales multiples that are used to value our reporting units. Under the income approach, we determine fair value based on the estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital which reflects the overall level of inherent risk of the reporting unit and the rate of return an outside investor would expect to earn. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates, profit margin percentages, discount rates, perpetuity growth rates, future capital expenditures and future market conditions, among others. Our projections are based on an internal strategic review. Key assumptions, strategies, opportunities and risks from this strategic review along with a market evaluation are the basis for our assessment. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is not considered to be impaired. However, if the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment.

The second step of the goodwill impairment process involves the calculation of an implied fair value of goodwill for each reporting unit for which step one indicated impairment. The implied fair value of goodwill is determined similar to how goodwill is calculated in a business combination, by measuring the excess of the estimated fair value of the reporting unit as calculated in step one, over the estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. In determining the fair value of assets we utilize appraisals for the fair value of property and equipment and valuations of certain intangible assets, including customer relationships.

Our annual goodwill impairment assessment has historically been completed at the beginning of the fourth quarter. Based on our assessment (step one) for 2010, the fair value of our PCS business

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was less than its carrying value. The second step of the goodwill impairment test involved us calculating the implied goodwill for the PCS business. The carrying value of the goodwill assigned to the PCS business exceeded the implied fair value of goodwill resulting in a goodwill impairment of $305.0 million.

Goodwill will not be amortized, but will be reviewed for impairment at least annually. The results of this year's impairment test are as of a point in time. If the future growth and operating results of our business are not as strong as anticipated and/or our market capitalization declines, this could impact the assumptions used in calculating the fair value in subsequent years. To the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to our earnings. Such an impairment charge could materially and adversely affect our operating results and financial condition. As of December 25, 2010, we had recorded goodwill and other intangibles of $319.7 million in the consolidated balance sheet.

Our business is subject to risks relating to operating internationally.

A significant part of our net sales is derived from operations outside the United States. Our international revenues, which include revenues from our non-U.S. subsidiaries, have represented approximately one-half our total net sales in recent years. We expect that international revenues will continue to account for a significant percentage of our revenues for the foreseeable future. There are a number of risks associated with our international business, including:

- foreign currencies we receive for sales and which we record as expenses outside the United States could be subject to unfavorable exchange rates with the U.S. dollar and reduce the amount of revenue (and increase the amount of expenses) that we recognize and cause fluctuations in reported financial results;

- certain contracts, particularly in Canada, are frequently denominated in currencies other than the currency in which we incur expenses related to those contracts and where expenses are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material adverse effect on our results of operations;

- general economic and political conditions in the markets in which we operate;

- potential international conflicts, including terrorist acts;

- potential trade restrictions, exchange controls and legal restrictions on the repatriation of funds into the United States;

- difficulties and costs associated with staffing and managing foreign operations, including risks of violations of local laws or the U.S. Foreign Corrupt Practices Act by employees overseas or the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;

- unexpected changes in regulatory requirements;

- the difficulties of compliance with a wide variety of foreign laws and regulations;

- unfavorable labor regulations in foreign jurisdictions;

potentially negative consequences from changes in or interpretations of US and foreign tax laws:

longer accounts receivable cycles in certain foreign countries; and

import and export licensing requirements.

Negative attention from special interest groups may impair our business.

The products and services which we provide our customers are essential to the drug discovery and development process, and are almost universally mandated by law. Notwithstanding, certain special interest groups categorically object to the use of animals for valid research purposes. Historically, our core research model activities with rats, mice and other rodents have not been the subject of significant

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animal rights media attention. However, research activities with animals have been the subject of adverse attention, impacting the industry. This has included demonstrations near facilities operated by us. Any negative attention, threats or acts of vandalism directed against our animal research activities in the future could impair our ability to operate our business efficiently.

Several of our product and service offerings are dependent on a limited source of supply, which if interrupted could adversely affect our business.

We depend on a limited international source of supply of large research models required in our product and service offerings. Disruptions to their continued supply may arise from health problems, export or import laws/restrictions or embargoes, international trade regulations, foreign government or economic instability, severe weather conditions, increased competition amongst suppliers for models, disruptions to the air travel system or other normal-course or unanticipated events. Any disruption of supply could harm our business if we cannot remove the disruption or are unable to secure an alternative or secondary supply source on comparable commercial terms.

The drug discovery and development services industry is highly competitive.

The drug discovery and development services industry is highly competitive. We often compete for business not only with other drug discovery and development companies, but also with internal discovery and development departments within our larger clients, who may have greater resources than ours. We also compete with universities and teaching hospitals for our services. We compete on a variety of factors, including:

reputation for on-time quality performance;

reputation for regulatory compliance;

expertise and experience in multiple specialized areas;

scope and breadth of service and product offerings across the drug discovery and development spectrum;

broad geographic availability (with consistent quality);

price/value;

technological expertise and efficient drug development processes;

quality of facilities;

financial stability;

size; and

ability to acquire, process, analyze and report data in an accurate manner.

If we do not compete successfully, our business will suffer. Increased competition might lead to price and other concessions that might adversely affect our operating results. The drug discovery and development services industry has continued to see a trend towards consolidation, particularly among the biotechnology companies, who are targets for each other and for larger pharmaceutical companies (although recent trends since 2008 also demonstrated increased merger activity between larger pharmaceutical companies themselves). If this trend continues, it is likely to produce more competition among the larger companies and contract research organizations generally, with respect to both clients and acquisition candidates. In addition, while there are substantial barriers to entry for large, global competitors with broad-based services, small, specialized entities considering entering the contract research organization industry will continue to find lower barriers to entry, and private equity firms may determine that there are opportunities to acquire and roll up these companies, thus further increasing possible competition. Furthermore, in recent years both Charles River and our competitors, particularly in the preclinical services area, invested significantly in capital projects to increase capacity. An ongoing challenge for all participants is balancing existing (and sometimes excess) capacity and

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market demand. Where capacity has been increased too much, pressure to lower prices or to take on lower-margin studies and projects can occur. More generally, our competitors or others might develop technologies, services or products that are more effective or commercially attractive than our current or future technologies, services or products, or that render our technologies, services or products less competitive or obsolete. If competitors introduce superior technologies, services or products and we cannot make enhancements to ours to remain competitive, our competitive position, and in turn our business, revenue and financial condition, would be materially and adversely affected. In the aggregate, these competitive pressures may affect the attractiveness of our services and could adversely affect our financial results.

Potential Changes in U.S. Tax Law.

In its budget submission to Congress in February 2010, and reiterated in the administration's 2012 budget proposal released on February 14, 2011, the Obama administration proposed changes to the manner in which the U.S. would tax the international income of U.S.-based companies. The proposed changes include, among others, limiting the ability of U.S. corporations to deduct interest expense allocated and apportioned to offshore earnings and modifying the foreign tax credit rules. While it is uncertain how the U.S. Congress may address this issue, reform of U.S. taxation, including taxation of international income, continues to be a topic of discussion for the U.S. Congress. Although the scope of the proposed changes remains unclear and the likelihood of enactment is uncertain, it is possible that these or other changes in the U.S. tax laws could increase the Company's effective tax rate which would affect our profitability.

We could be adversely affected by tax law changes in Canada and the United Kingdom.

We have substantial operations in Canada and the United Kingdom which currently benefit from favorable corporate tax arrangements. We receive substantial tax credits in Canada from both the Canadian federal and Quebec governments and benefits from enhanced deductions and accelerated tax depreciation allowances in the United Kingdom. Any reduction in the availability or amount of these tax credits or deductions would be likely to have a material adverse effect on profits, cash flow and our effective tax rate.

Contract research services create a risk of liability.

As a contract research organization we face a range of potential liabilities which may include:

errors or omissions in reporting of study detail in preclinical or Phase I clinical studies that may lead to inaccurate reports, which may potentially advance studies absent the necessary support or inhibit studies from proceeding to the next level of testing;

litigation risk, including resulting from our errors or omissions, associated with the possibility that the drugs/compounds of our clients that were included in drug development trials we participated in may cause illness, personal injury or have other negative side effects to clinical study participants or other persons (including death);

general risks associated with operating a Phase I clinical business, including negative consequences from the administration of drugs to clinical trial participants or the professional malpractice of Phase I medical care providers;

risks associated with our possible failure to properly care for our customers' property, such as research models and samples, study compounds, records, work in progress, other archived materials, or goods and materials in transit, while in our possession;

risks that models in our breeding facilities or in facilities that we manage may be infected with diseases that may be harmful and even lethal to themselves or humans despite preventive measures contained in our company policies for the quarantine and handling of imported animals;

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risk that we may have errors and omissions related to our products designed to conduct lot release testing of medical devices and injectable drugs (primarily through our *In Vitro* business) or in the testing of biologicals and other services performed by our biopharmaceutical services business, which could result in us or our customers failing to identify unsafe or contaminated materials; and

errors and omissions during a trial that may undermine the usefulness of a trial or data from the trial.

We attempt to mitigate these risks through a variety of methods. Nonetheless, it is impossible to completely eradicate such risks.

In our RMS business, we mitigate these risks to the best of our abilities through our regimen of animal testing, quarantine, and veterinary staff vigilance, through which we seek to control the exposure of animal related disease or infections.

In our PCS business, we attempt to reduce these risks by contract provisions entitling us to be indemnified or entitling us to a limitation of liability; insurance maintained by our clients, investigators, and by us; and various regulatory requirements we must follow in connection with our business.

In both our RMS and PCS businesses, contractual indemnifications generally do not protect us against liability arising from certain of our own actions, such as negligence or misconduct. We could be materially and adversely affected if we were required to pay damages or bear the costs of defending any claim which is not covered by a contractual indemnification provision or in the event that a party who must indemnify us does not fulfill its indemnification obligations or which is beyond the level of our insurance coverage. Furthermore, there can be no assurance that we will be able to maintain such insurance coverage on terms acceptable to us.

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

For many years, groups within the scientific and research communities have attempted to develop models, methods and systems that would replace or supplement the use of living animals as test subjects in biomedical research. Some companies have developed techniques in these areas that may have scientific merit. In addition, technological improvements to existing or new processes, such as imaging technology, could result in a refinement in the number of animal research models necessary to conduct the required research. It is our strategy to participate in some fashion with any non-animal test method or other method that reduces the need for animal research models as it becomes validated as a research model alternative or adjunct in our markets. For instance, in recent years we acquired imaging capabilities through our acquisitions of MIR and Cerebricon. However, we generally may not be successful in commercializing these methods if developed, and sales or profits from these methods may not offset reduced sales or profits from research models. Alternative research methods could decrease the need for research models, and we may not be able to develop new products effectively or in a timely manner to replace any lost sales. In addition, other companies or entities may develop research models with characteristics different than the ones that we produce, and which may be viewed as more desirable by our customers.

Upgrading and integrating our business systems could result in implementation issues and business disruptions.

In 2010 we completed the initial implementation of a project to replace many of our numerous legacy business systems at our different sites globally with an enterprise wide, integrated enterprise resource planning (ERP) system. The first stage, which included all of our United States sites as well as our RMS site in Canada, went live at the beginning of fiscal 2010 and in the beginning of our fiscal third quarter 2010, we added our remaining PCS sites in Montreal and Edinburgh. We are now enhancing the value of the system's reporting capabilities. The expansion of the system to other

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international locations may occur at a future date based on value to the business. In general, the process of planning and preparing for these types of integrated, wide-scale implementations is extremely complex and we are required to address a number of challenges including data conversion, system cutover and user training. Problems in any of these areas could cause operational problems during implementation including delayed shipments, missed sales, billing and accounting errors and other operational issues. There have been numerous, well-publicized instances of companies experiencing difficulties with the implementation of ERP systems which resulted in negative business consequences.

The drug discovery and development industry has a history of patent and other intellectual property litigation, and we might be involved in costly intellectual property lawsuits.

The drug discovery and development industry has a history of patent and other intellectual property litigation and these lawsuits will likely continue. Accordingly, we face potential patent infringement suits by companies that have patents for similar products and methods used in business or other suits alleging infringement of their intellectual property rights. Legal proceedings relating to intellectual property could be expensive, take significant time and divert management's attention from other business concerns, whether we win or lose. If we do not prevail in an infringement lawsuit brought against us, we might have to pay substantial damages, including treble damages, and we could be required to stop the infringing activity or obtain a license to use technology on unfavorable terms.

We may not be able to successfully develop and market new services and products.

We may seek to develop and market new services and products that complement or expand our existing business or service offerings. For instance, in 2009 we acquired System Pathology Company, LLC, a pathology based software development company focused on developing state-of-the-art analytical imaging technologies to automate the labor intensive tissue evaluations process which is a significant component of standard preclinical studies, and in 2010 we announced we entered into an exclusive, long-term marketing and distribution agreement with Transposagen Biopharmaceuticals, Inc., a Lexington, Kentucky-based provider of unique genetically modified rat models. If we are unable to develop new services and products and/or create demand for those newly developed services and products, our future business, results of operations, financial condition, and cash flows could be adversely affected.

Our debt level could adversely affect our business and growth prospects.

At December 25, 2010, we had approximately $700.9 million of debt. This debt could have significant adverse effects on our business, including making it more difficult for us to obtain additional financing on favorable terms; requiring us to dedicate a substantial portion of our cash flows from operations to the repayment of debt and the interest on this debt; limiting our ability to capitalize on significant business opportunities; and making us more vulnerable to rising interest rates. For additional information regarding our debt, please see Note 5 included in the Notes to Consolidated Financial Statements elsewhere in this Form 10-K.

If we are not successful in selecting and integrating the businesses and technologies we acquire, or in managing our current and future divestitures, our business may suffer.

During the past decade, we have expanded our business through numerous acquisitions. We plan to continue to acquire businesses and technologies and form strategic alliances. However, businesses and technologies may not be available on terms and conditions we find acceptable. We risk spending time and money investigating and negotiating with potential acquisition or alliance partners, but not completing transactions.

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Even if completed, acquisitions and alliances involve numerous risks which may include:

- difficulties and expenses incurred in assimilating and integrating operations, services, products or technologies;
- challenges with developing and operating new businesses.
- diversion of management's attention from other business concerns;
- potential losses resulting from undiscovered liabilities of acquired companies that are not covered by the indemnification we may obtain from the seller;
- acquisitions could be dilutive to earnings, or in the event of acquisitions made through the issuance of our common stock to the shareholders of the acquired company, dilutive to the percentage of ownership of our existing stockholders;
- loss of key employees;
- risks of not being able to overcome differences in foreign business practices, customs and importation regulations, language and other cultural barriers in connection with the acquisition of foreign companies;
- risks that disagreements or disputes with prior owners of an acquired business, technology, service or product may result in litigation expenses and distribution of our management's attention;
- the presence or absence of adequate internal controls and/or significant fraud in the financial systems of acquired companies; and
- difficulties in achieving business and financial success.

In the event that an acquired business or technology or an alliance does not meet our expectations, our results of operations may be adversely affected.

Some of the same risks exist when we decide to sell a business, site, or product line. In addition, divestitures could involve additional risks, including the following:

- difficulties in the separation of operations, services, products and personnel; and
- the need to agree to retain or assume certain current or future liabilities in order to complete the divestiture.

We continually evaluate the performance and strategic fit of our businesses. For example, on December 14, 2010, we announced that we intended to explore strategic alternatives for certain non-strategic or under-performing PCS assets including our U.S. Phase I clinic and the China preclinical facility. These and any divestitures may result in significant write-offs, including those related to goodwill and other intangible assets, which could have an adverse effect on our results of operations and financial condition. In addition, we may encounter difficulty in finding buyers or alternative exit strategies at acceptable prices and terms and in a timely manner. We may not be successful in managing these or any other significant risks that we encounter in divesting a business, site or product line, and as a result, we may not achieve some or all of the expected benefits of the divestiture.

We could experience a breach of the confidentiality of the information we hold or of the security of our computer systems.

We operate large and complex computer systems that contain significant amounts of customer data. As a routine element of our business, we collect, analyze and retain substantial amounts of data pertaining to the preclinical and the clinical studies we conduct for our customers. Unauthorized third parties could attempt to gain entry to such computer systems for the purpose of stealing data or disrupting the systems. We believe that we have taken adequate measures to protect them from intrusion, and we continue to improve and enhance our systems in this regard, but in the event that our

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efforts are unsuccessful we could suffer significant harm. Our contracts with our customers typically contain provisions that require us to keep confidential the information generated from these studies. In the event the confidentiality of such information was compromised, we could suffer significant harm.

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

Our success depends to a significant extent on the continued services of our senior management and other members of management. James C. Foster, our Chief Executive Officer since 1992 and Chairman since 2000, has held various positions with us for almost 35 years. We have no employment agreement with Mr. Foster or other members of our management. If Mr. Foster or other members of management do not continue in their present positions, our business may suffer.

Because of the specialized scientific nature of our business, we are highly dependent upon attracting and retaining qualified scientific, technical and managerial personnel. While we have an excellent record of employee retention, there is still strong competition for qualified personnel in the veterinary, pharmaceutical and biotechnology fields. Therefore, we may not be able to attract and retain the qualified personnel necessary for the development of our business. The loss of the services of existing personnel, as well as the failure to recruit additional key scientific, technical and managerial personnel in a timely manner, could harm our business.

Our quarterly operating results may vary, which could negatively affect the market price of our common stock.

Our results of operations in any quarter may vary from quarter to quarter and are influenced by such factors as:

changes in the general global economy;

the number and scope of ongoing customer engagements;

the commencement, postponement, delay, progress, completion or cancellation of customer contracts in the quarter;

changes in the mix of our products and services;

the extent of cost overruns;

holiday patterns of our customers;

budget cycles of our customers;

the timing and charges associated with completed acquisitions and other events; and

exchange rate fluctuations.

We believe that operating results for any particular quarter are not necessarily a meaningful indication of future results. Nonetheless, fluctuations in our quarterly operating results could negatively affect the market price of our common stock.

Item 1B. Unresolved Staff Comments

There are no unresolved comments to be reported in response to Item 1B.

Item 2. Properties

We own or lease the land and buildings where we have facilities. We own large facilities (facilities over 50,000 square feet) for our PCS businesses in the United States, Canada, Scotland and Ireland, and lease large facilities in the United States, Canada and China. We own large RMS facilities in the United Kingdom, France, Germany, Japan, Canada and the United States. None of our leases is individually material to our business operations. Many of our leases have an option to renew and we

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believe that we will be able to successfully renew expiring leases on terms satisfactory to us. We believe that our facilities are adequate for our operations and that suitable additional space will be available when needed. For additional information see Note 10 to the Consolidated Financial Statements included elsewhere in this Form 10-K.

We continually evaluate capacity in light of our customer needs and demands. Accordingly, in January 2010 we announced that we had decided to suspend operations at our Shrewsbury, Massachusetts facility by the middle of 2010, with the intention to resume operations when global preclinical market conditions improve and we require additional capacity. Currently, we do not anticipate significant expansion requirements in either our RMS or PCS businesses for the next few years due to available capacity at existing and suspended sites. However, we may expand at specific sites should we determine that it is not feasible to utilize available capacity at existing or suspended sites.

We are pursuing strategic alternatives for our U.S Phase I clinical site in Tacoma, Washington and for our PCS operation in Shanghai, China. Similarly, we have announced the consolidation of our Discovery Services site in Ann Arbor, Michigan with our operations in North Carolina. The real estate associated with these operations is leased and depending on the resolution of these situations, we may be encumbered with the remaining real estate lease obligations.

Item 3. Legal Proceedings

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

Item 4. Removed and Reserved

Supplementary Item. Executive Officers of the Registrant ***(pursuant to Instruction 3 to Item 401(b) of Regulation S-K).***

Below are the names, ages and principal occupations of each our current executive officers. All such persons have been elected to serve until their successors are elected and qualified or until their earlier resignation or removal.

Thomas F. Ackerman, age 56, joined us in 1988 with over eleven years of combined public accounting and international finance experience. He was named Controller, North America in 1992 and became our Vice President and Chief Financial Officer in 1996. In 1999, he was named a Senior Vice President and in 2005 he was named a Corporate Executive Vice President. He is currently responsible for overseeing our Accounting and Finance Department and several other corporate staff departments. Prior to joining us, Mr. Ackerman was an accountant at Arthur Andersen & Co.

James C. Foster, age 60, joined us in 1976 as General Counsel. Over the past 34 years, Mr. Foster has held various staff and managerial positions, and was named our President in 1991, Chief Executive Officer in 1992 and our Chairman in 2000.

Nancy A. Gillett, age 55, joined us in 1999 with the acquisition of Sierra Biomedical. Dr. Gillett has 26 years of experience as an ACVP board certified pathologist and scientific manager. In 1999, she became Senior Vice President and General Manager of our Sierra Biomedical division, and subsequently held a variety of managerial positions, including President and General Manager of Sierra Biomedical and Corporate Vice President and General Manager of Drug Discovery and Development (the predecessor to our Preclinical Services business segment). In 2004, Dr. Gillett was named Corporate Senior Vice President and President, Global Preclinical Services, and in 2006 she became a Corporate Executive Vice President.

David P. Johst, age 49, joined us in 1991 as Corporate Counsel and was named Vice President, Human Resources in 1995. He became Vice President, Human Resources and Administration in 1996, a Senior Vice President in 1999, and a Corporate Executive Vice President in 2005. He currently serves

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as the Company's General Counsel and Chief Administrative Officer and is responsible for overseeing our Corporate legal function, Human Resources department and several other corporate staff departments. Prior to joining the Company, Mr. Johst was in private practice at the law firm of Hale and Dorr (now WilmerHale).

Davide Molho, age 41, joined our Italian operations in 1999 and was promoted to Director of Operations for Research Models and Services (RMS) Italy in 2002. In 2005, his role was expanded to include French RMS operations and in 2007, he became Corporate Vice President, European Research Models and Services, with responsibility for all European RMS operations. In July 2009, Dr. Molho was promoted to Corporate Senior Vice President, North American & European Research Models and Services. He was subsequently promoted to Corporate Executive Vice President and President, Global Research Models and Services in December 2010.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock began trading on the New York Stock Exchange on June 23, 2000 under the symbol "CRL." The following table sets forth for the periods indicated below the high and low sales prices for our common stock.

2011	High	Low
First quarter (through February 10, 2011)	$ 39.18	$ 35.25

2010	High	Low
First quarter	$ 39.75	$ 32.74
Second quarter	41.65	28.00
Third quarter	35.87	28.20
Fourth quarter	36.10	30.70

2009	High	Low
First quarter	$ 29.87	$ 23.03
Second quarter	33.28	23.29
Third quarter	37.47	29.82
Fourth quarter	40.14	30.95

There were no equity securities that were not registered under the Securities Act of 1933, as amended, sold by the Company during the fiscal year ended December 25, 2010.

Shareholders

As of February 10, 2011 there were approximately 471 registered shareholders of the outstanding shares of common stock.

Dividends

We have not declared or paid any cash dividends on shares of our common stock in the past two years and we do not intend to pay cash dividends in the foreseeable future. We currently intend to retain any earnings to finance future operations and expansion. Some of the restrictive covenants contained in our revolving credit agreement and term loan agreements limit our ability to pay dividends.

Issuer Purchases of Equity Securities

The following table provides information relating to the Company's purchases of shares of its common stock during the quarter ended December 25, 2010.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
September 26, 2010 to October 23, 2010	3,109	$ 33.15		$ 498,535
October 24, 2010 to November 20, 2010	80	$ 32.77		$ 498,535
November 21, 2010 to December 25, 2010	1,250,000	$ 34.45	1,250,000	$ 455,466
Total:	1,253,189		1,250,000	

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On July 29, 2010, our Board of Directors authorized a $500.0 million stock repurchase program. Our Board of Directors increased the stock repurchase program by $250.0 million to $750.0 million on October 20, 2010. On August 27, 2010, we entered into an agreement to implement an accelerated stock repurchase (ASR) program with a third party investment banker to repurchase $300.0 million of common stock. We paid the $300.0 million and received an initial delivery of 6,000,000 shares which represented approximately 60% of the total number of shares that we would receive under the ASR if the price per share of our common stock remained at the closing price per share of our common stock on August 27, 2010 throughout the calculation period. We received an additional 750,000 shares under the ASR on September 23, 2010, and an additional 1,250,000 shares on December 21, 2010. The ASR was settled on February 11, 2011 based on a discount to the daily volume weighted average price (VWAP) of our common stock over the course of a calculation period. We received the final 871,829 shares based on the settlement of the ASR.

Additionally, the Company's Incentive Plans permit the netting of common stock upon vesting of restricted stock awards in order to satisfy individual tax withholding requirements. Accordingly, during the quarter ended December 25, 2010, the Company acquired 3,189 shares for $0.11 million as a result of such withholdings.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes, as of December 25, 2010, the number of options issued under the Company's stock option plans and the number of options available for future issuance under these plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plan approved by security holders:			
Charles River 2000 Incentive Plan	2,910,771	$ 41.22	700,592
Charles River 1999 Management Incentive Plan	1,000	$ 31.12	6,000
Inveresk 2002 Stock Option Plan	89,041	$ 25.22	
2007 Incentive Plan	3,593,501	$ 35.46	2,518,303
Equity compensation plans not approved by security holders			
Total	6,594,313(1)		3,224,895(2)

(1) None of the options outstanding under any equity compensation plan of the Company include rights to any dividend equivalents (i.e., a right to receive from the Company a payment commensurate to dividend payments received by holders of common stock or other equity instruments of the Company).

(2) On March 22, 2007, the Board of Directors determined that, upon approval of the 2007 Incentive Plan, no future awards would be granted under the preexisting equity compensation plans, including the Charles River 1999 Management Incentive Plan and the Charles River 2000 Incentive Plan. Shareholder approval was obtained on May 8, 2007. Previously, on February 28, 2005, the Board of Directors terminated the Inveresk 2002 Stock Option Plan to the extent that no further awards would be granted thereunder.

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The following table provides additional information regarding the aggregate issuances under the Company's existing equity compensation plans as of December 25, 2010:

Category	Number of securities outstanding	Weighted average exercise price	Weighted average term
	(a)	(b)	(c)
Total number of restricted shares outstanding(1)	777,740	$	
Total number of options outstanding	6,594,313	$ 37.87	4.10

(1) For purposes of this table, only unvested restricted stock as of December 25, 2010 is included. Also for purposes of this table only, the total includes 71,197 restricted stock units granted to certain employees of the Company outside of the United States.

Comparison of 5-Year Cumulative Total Return

Among Charles River Laboratories International, Inc., The S&P 500 Index and The NASDAQ Pharmaceutical Index.

The following stock performance graph compares the annual percentage change in the Company's cumulative total shareholder return on its Common Stock during a period commencing on December 31, 2005 and ending on December 25, 2010 (as measured by dividing (1) the sum of (A) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and (B) the difference between the Company's share price at the end and the beginning of the measurement period; by (2) the share price at the beginning of the measurement period) with the cumulative total return of the S&P 500 Index and the NASDAQ Pharmaceutical Index during such period. The Company has not paid any dividends on the Common Stock, and no dividends are included in the representation of the Company's performance. The stock price performance on the graph below is not necessarily indicative of future price performance. The graph is not "soliciting material," is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. Information used in the graph was obtained from Standards & Poor's Institutional

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Market Services, a source believed to be reliable, but the Company is not responsible for any errors or omissions in such information.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Charles River Laboratories International, Inc., The S&P 500 Index
And The NASDAQ Pharmaceutical Index

	Dec. 31, 2005	Dec. 30, 2006	Dec. 29, 2009	Dec. 27, 2008	Dec. 26, 2009	Dec. 25, 2010
Charles River Laboratories International, Inc.	100.00	102.08	156.05	59.05	77.79	84.26
S&P 500	100.00	115.80	122.16	76.96	97.33	111.99
NASDAQ Pharmaceutical	100.00	101.61	94.58	87.40	95.29	101.44

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Item 6. Selected Consolidated Financial Data

The following selected financial data are derived from our Consolidated Financial Statements and notes thereto and should be read in conjunction with Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and notes thereto contained in Item 8., "Financial Statements and Supplementary Data" of this report.

	Fiscal Year(1)				
	2010	2009	2008	2007	2006
	(dollars in thousands)				
Statement of Income Data:					
Net sales	$ 1,133,416	$ 1,171,642	$ 1,295,299	$ 1,185,139	$ 1,034,742
Cost of products sold and services provided	748,656	748,650	796,478	720,254	636,488
Selling, general and administrative expenses	232,489	227,663	223,935	212,471	178,453
Goodwill impairment	305,000		700,000		
Asset impairment	91,378				
Termination fee	30,000				
Amortization of intangibles	24,405	25,716	26,725	30,020	35,757
Operating income (loss)	(298,512)	169,613	(451,839)	222,394	184,044
Interest income	1,186	1,712	7,882	9,120	6,550
Interest expense	(35,279)	(21,682)	(22,335)	(24,453)	(23,099)
Other, net	(1,477)	1,914	(5,154)	(1,392)	838
Income (loss) from continuing operations before income taxes	(334,082)	151,557	(471,446)	205,669	168,333
Provision for income taxes	23	40,354	57,029	56,023	47,920
Income (loss) from continuing operations net of income taxes	(334,105)	111,203	(528,475)	149,646	120,413
Income (loss) from discontinued businesses, net of tax	(8,012)	1,399	3,283	1,472	(176,791)
Net income (loss)	(342,117)	112,602	(525,192)	151,118	(56,378)
Net income (loss) attributable to noncontrolling interests	5,448	1,839	687	(470)	(1,605)
Net income (loss) attributable to common shareowners	$ (336,669)	$ 114,441	$ (524,505)	$ 150,648	$ (57,983)
Common Share Data:					
Earnings (loss) per common share					
Basic					
Continuing operations attributable to common shareowners	$ (5.25)	$ 1.73	$ (7.85)	$ 2.23	$ 1.72
Discontinued operations	$ (0.13)	$ 0.02	$ 0.05	$ (0.02)	$ (2.56)
Net income (loss) attributable to common shareowners	$ (5.38)	$ 1.75	$ (7.80)	$ 2.25	$ (0.84)
Diluted					
Continuing operations attributable to common shareowners	$ (5.25)	$ 1.72	$ (7.85)	$ 2.17	$ 1.70
Discontinued operations	$ (0.13)	$ 0.02	$ 0.05	$ (0.02)	$ (2.53)
Net income (loss) attributable to common shareowners	$ (5.38)	$ 1.74	$ (7.80)	$ 2.19	$ (0.83)
Other Data:					
Depreciation and amortization	$ 93,649	$ 89,962	$ 86,851	$ 81,965	$ 80,408
Capital expenditures	42,860	79,853	198,642	230,754	183,314
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$ 179,160	$ 182,574	$ 243,592	$ 225,449	$ 175,380
Working capital	293,114	345,828	317,141	299,587	241,762

Goodwill, net	198,438	508,235	457,578	1,120,540	1,119,309
Total assets	1,733,373	2,204,093	2,141,413	2,778,313	2,523,449
Total debt and capital lease obligations	700,852	492,832	515,332	437,902	489,277
Total shareowners' equity	687,423	1,375,243	1,241,286	1,905,390	1,643,892

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

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

The following Management's Discussion and Analysis will help you understand the financial condition and results of operations. The Management's Discussion and Analysis is a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes to the consolidated financial statements.

Overview

We are a leading global provider of solutions that advance the drug discovery and development process, including research models and associated services and outsourced preclinical services. We provide our products and services to global pharmaceutical companies and biotechnology companies, as well as government agencies and leading hospitals and academic institutions throughout the world in order to bring drugs to market faster and more efficiently. Our broad portfolio of products and services enables our customers to reduce costs, increase speed to market and enhance their productivity and effectiveness in drug discovery and development. We have built upon our core competency of in vivo biology, including laboratory animal medicine and science (research model technologies) to develop a diverse and growing portfolio of services which address drug discovery and development in the preclinical arena. We have been in business for over 60 years and currently operate approximately 68 facilities in 16 countries worldwide.

Our market for our goods and services continues to be in transition, and we are uncertain as to when the unfavorable market demand factors, which continue to negatively impact our results of operations, will abate. These market factors, which have existed since 2008, include: measured research and development spending by major pharmaceutical and biotechnology companies due to the impact of the slower economy; significant impact from consolidations in the pharmaceutical and biotechnology industry; significant patent expirations; delays in customer decisions and commitments; tight cost constraints by our customers and recognition of excess preclinical capacity within our industry which has resulted in pricing pressure; a focus on late-stage (human) testing as customers endeavor to bring drugs further down the development pipeline to market; and the impact of healthcare reform initiatives. All of these ongoing factors contribute to demand uncertainty and impacted sales in 2010.

As we look forward, we continue to anticipate that demand, particularly for Preclinical Services, will begin to ramp up as our customers reinvigorate their early-stage drug development pipelines, continue to choose outsourcing of services to improve the effectiveness and cost efficiency of their drug development efforts, and reduce their internal capacity through closure of underutilized facilities. We believe that increased focus on strategic outsourcing by our customers should result in the expansion of strategic relationships with a reduced and limited number of partners, which will drive demand for our services. We believe that the long-term drivers for our business as a whole will primarily emerge from our customers' continued demand for research models and services and regulatory compliant preclinical services, which are essential to the drug development process. However, presently it is challenging to predict the timing associated with these drivers.

In response to the challenging market environment during the past few years, which has continued through 2010, we have taken significant steps to better support our customers, identify new strategies to enhance client satisfaction, improve operating efficiencies and generally strengthen our business model. For additional discussion of these steps, please see the section entitled "Our Strategy" included in Item 1 in this Form 10-K.

Additionally, in December 2010, we announced an intensified focus on four key initiatives designed to allow us to drive profitable growth and to maximize value for shareholders, and thus better position ourselves to operate successfully in the current and future business environment. These four initiatives are detailed:

Improving the consolidated operating margin. By continuing to aggressively manage our cost structure and drive operating efficiencies, we expect to generate improving operating margins,

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depending on the strength of recovery in demand for preclinical services. We have already implemented significant actions to reduce costs during the last two years to manage our business in the challenging industry-wide preclinical market conditions. In addition, we announced in December 2010 that we intended to pursue strategic alternatives for non-strategic or under-performing PCS assets, including the U.S. Phase I clinic (now reclassified as discontinued operations) and the China preclinical facility. These actions are expected to contribute to improved operating margins in the future.

Improving free cash flow generation. We currently believe we have adequate capacity to support revenue growth in both business segments without significant additional investment for expansion. Improved operating margins, elimination of the specified operating losses and minimal requirements for capital expansion should contribute to generate strong cash flow.

Disciplined investment in growth businesses. We expect to maintain a disciplined focus on deployment of capital, investing in those areas of our existing business which will generate the greatest sales growth and profitability, such as GEMS, Discovery Services, *In Vitro* products and Biopharmaceutical Services.

Returning value to shareholders. On July 29, 2010, the Board of Directors authorized a $500.0 million stock repurchase program and increased the authorization to $750.0 million on October 20, 2010. Under the authorization, in 2010 we initiated a substantial stock repurchase program which is intended to drive immediate shareholder value and earnings per share accretion. We intend to complete the initial $500.0 million of the Board's stock repurchase authorization in 2011.

Our annual goodwill impairment assessment has historically been completed at the beginning of the fourth quarter. Based on our assessment (step one) for 2010, the fair value of our PCS business was less than its carrying value. The second step of the goodwill impairment test involved us calculating the implied goodwill for the PCS business. The carrying value of the goodwill assigned to the PCS business exceeded the implied fair value of goodwill resulting in a goodwill impairment of $305.0 million.

As a result of our decision to pursue strategic alternatives for our preclinical facility in China, in the fourth quarter we recognized an impairment of $17.2 million. Additionally, we determined the fair value of our in process research and development acquired in the acquisition of System Pathology Company, LLC (SPC). The fair value of the in process research and development was less than the carrying value recorded at the time of the acquisition. Based on the evaluation we recorded an impairment of $7.2 million. Also in the fourth quarter of 2010, we determined we would not be utilizing our PCS-Massachusetts facility in the foreseeable future. We performed a fair value assessment of that site which resulted in our recording an impairment of $64.6 million.

Total net sales in 2010 were $1.1 billion, a decrease of 3.3% from 2009. The sales decrease was due primarily to lower demand and pricing pressure for PCS and moderately slower demand for RMS. The effect of foreign currency translation had a positive impact on sales of 0.1%. Our gross margin decreased to 33.9% of net sales compared to 36.1% of net sales in 2009, due primarily to lower sales.

Our operating (loss)/income for 2010 was $(298.5) million compared to $169.6 million for 2009. (Loss)/Income from continuing operations, net of tax, was $(334.1) million in 2010 compared to $111.2 million in 2009. The operating loss is primarily due to the goodwill impairment, asset impairments and the $30.0 million WuXi termination fee. The diluted loss per share from continuing operations attributable to common shareowners for 2010 was $5.25 compared to diluted earnings per share of $1.72 in 2009. Our capital expenditures totaled $42.9 million for 2010, compared to $79.9 million for 2009. Our planned capital expenditures in 2011 are approximately $50.0 million. Net (loss)/income attributable to common shareowners for 2010 was $(336.7) million in 2010 compared to $114.4 million in 2009.

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We report two segments: RMS and PCS, which reflect the manner in which our operating units are managed.

Our RMS segment, which represented 58.8% of net sales in 2010, includes sales of research models, genetically engineered models and services (GEMS), research animal diagnostics (RADS), discovery services (DS), consulting and staffing services (CSS), vaccine support, and our *in vitro* business. Net sales for this segment increased 1.1% compared to 2009, with the addition of Piedmont Research Center and Cerebricon, Ltd., partially offset by unfavorable foreign currency translation of 0.5%. We experienced decreases in both the RMS gross margin, from 42.2% to 41.7%, and operating margin from 29.3% to 27.7% compared to last year due mainly to the impact of our fixed costs with flat sales partially offset by cost savings.

Our PCS segment, which represented 41.2% of net sales in 2010, includes services required to take a drug through the development process including discovery support, toxicology, pathology, biopharmaceutical, bioanalysis, pharmacokinetics and drug metabolism services. Sales for this segment decreased 8.8% over 2009 driven by slower demand for preclinical services partially offset by favorable foreign currency, which increased sales growth by 0.9%. We experienced a decrease in the PCS gross margin from 28.2% in 2009 to 22.8% in 2010, due mainly to lower capacity utilization due to the lower sales volume and increased pricing pressure. The 2010 operating margin was a negative 84.1% compared to a positive 7.8% in 2009 mainly due to the goodwill impairment and asset impairments.

Critical Accounting Policies and Estimates

Preparation of these financial statements requires management to use judgment when making assumptions that are involved in preparing estimates that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions. Some of those estimates can be complex and require management to make estimates about the future and actual results could differ from those estimates. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. For any given estimate or assumption made by management, there may also be other estimates or assumptions that are reasonable.

We consider the following accounting estimates important in understanding our operating results and financial condition. For additional accounting policies see Notes to Consolidated Financial Statements Note 1*Significant Accounting Policies*.

Valuation and Impairment of Goodwill, Other Intangible Assets, and Other Long-Lived Assets

Valuation of certain long-lived assets including property, plant and equipment, intangible assets, and goodwill requires significant judgment. Assumptions and estimates are used in determining the fair value of assets acquired and liabilities assumed in a business acquisition. A significant portion of the purchase price in our acquisitions is assigned to intangible assets and goodwill. Assigning value to intangible assets requires that we use significant judgment in determining (i) the fair value and (ii) whether such intangibles are amortizable or non-amortizable and, if the former, the period and the method by which the intangible assets will be amortized. We utilize commonly accepted valuation techniques, such as the income approach and the cost approach, as appropriate, in establishing the fair value of long-lived assets. Typically, key assumptions include projected revenue and expense levels used in establishing the fair value of business acquisitions as well as discount rates based on an analysis of our weighted average cost of capital, adjusted for specific risks associated with the assets. Changes in the initial assumptions could lead to changes in amortization expense recorded in our future financial statements.

We perform a test for goodwill impairment annually and whenever events or circumstances make it likely the fair value of a reporting unit has fallen below its carrying amount to determine if impairment

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exists. The goodwill impairment analysis is a two-step process. The first step is used to identify potential impairment and involves comparing each reporting unit's estimated fair value to its carrying value, including goodwill. Fair value is determined by using a weighted combination of a market-based approach and an income approach, as this combination is deemed to be the most indicative of our fair value in an orderly transaction between market participants. Under the market-based approach, we utilize information about our Company as well as publicly available industry information to determine earnings multiples and sales multiples that are used to value our reporting units. Under the income approach, we determine fair value based on the estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital which reflects the overall level of inherent risk of the reporting unit and the rate of return an outside investor would expect to earn. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates, profit margin percentages, discount rates, perpetuity growth rates, future capital expenditures and future market conditions, among others. Our projections are based on internal projections. Key assumptions, strategies, opportunities and risks from this strategic review along with a market evaluation are the basis for our assessment. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is not considered to be impaired. However, if the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment.

The second step of the goodwill impairment process involves the calculation of an implied fair value of goodwill for each reporting unit for which step one indicated impairment. The implied fair value of goodwill is determined similar to how goodwill is calculated in a business combination, by measuring the excess of the estimated fair value of the reporting unit as calculated in step one, over the estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. In determining the fair value of assets we utilize appraisals for the fair value of property and equipment and valuations of certain intangible assets, including customer relationships.

Our annual goodwill impairment assessment has historically been completed at the beginning of the fourth quarter. Based on our assessment (step one) for 2010, the fair value of our PCS business was less than its carrying value. The second step of the goodwill impairment test involved us calculating the implied goodwill for the PCS business. The carrying value of the goodwill assigned to the PCS business exceeded the implied fair value of goodwill resulting in a goodwill impairment of $305.0 million.

Additionally, we performed an assessment of the fair value of our in-process research and development acquired in the acquisition of SPC. The fair value of the in-process research and development was less than the carrying value recorded as the time of the acquisition. Based on the evaluation we recorded an impairment of $7.2 million.

Goodwill and other indefinite-lived assets will not be amortized, but will be reviewed for impairment at least annually. The results of this year's impairment test are as of a point in time. If the future growth and operating results of our business are not as strong as anticipated and/or our market capitalization declines, this could impact the assumptions used in calculating the fair value in subsequent years. To the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to our earnings. Such an impairment charge could materially and adversely affect our operating results and financial condition. As of December 25, 2010, we had recorded goodwill and other intangibles of $319.7 million in the consolidated balance sheet.

For intangible assets, goodwill and property, plant and equipment, we assess the carrying value of these assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include but are not limited to the following:

significant underperformance relative to expected historical or projected future operating results;

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significant negative industry or economic trends; or

significant changes or developments in strategy or operations that negatively affect the utilization of our long-lived assets.

Should we determine that the carrying value of long-lived tangible assets may not be recoverable, we will measure any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in our current business model. We may also estimate fair value based on market prices for similar assets, as appropriate. Significant judgments are required to estimate future cash flows, including the selection of appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for these assets.

The fourth quarter of 2010 was impacted by continuing market factors which include: measured spending by major pharmaceutical and biotechnology companies due to the impact of the slower economy; significant impact from consolidations in the pharmaceutical and biotechnology industry; delays in customer decisions and commitments; tight cost constraints by our customers and recognition of excess preclinical capacity within our industry which has resulted in pricing pressure; a focus on late-stage (human) testing as customers endeavor to bring drugs further down the development pipeline to market; and the impact of healthcare reform initiatives. All of these ongoing factors contribute to demand uncertainty and have impacted sales in 2010.

During the fourth quarter of 2010, based on our most recent market outlook we assessed our long-lived assets for impairment. The assessment included an evaluation of the ongoing cash flows of the long-lived assets. We determined, based upon our evaluation, that the long-lived assets associated with PCS-Massachusetts and PCS-China were no longer fully recoverable from the future cash flows. Based upon the assets no longer being fully recoverable, we determined the fair value of the long-lived assets based upon a valuation completed by an independent third party valuation firm. The valuation was based upon the estimated market value of the long-lived assets and the future cash flow expected to be generated from the long-lived assets. Accordingly, we recorded an impairment charge of $64.6 million for PCS-Massachusetts and $17.2 million for PCS-China representing the excess of the carrying value of those assets over their respective fair market values.

Revenue Recognition

We recognize revenue related to our products, which include research models, in vitro technology and vaccine support products, when persuasive evidence of an arrangement exists, generally in the form of customer purchase orders, title and risk of loss have transferred, which occurs upon delivery of the products, the sales price is fixed and determinable and collectability is reasonably assured. These recognition criteria are met at the time the product is delivered to the customer's site. Product sales are recorded net of returns upon delivery. For large models in some cases customers pay in advance of delivery of the product. These advances are deferred and recognized as revenue upon delivery of the product.

Our service revenue is comprised of toxicology, pathology, laboratory, GEMS, DS and CSS and is generally evidenced by customer contracts. Toxicology services provide highly specialized studies to evaluate the safety and toxicity of new pharmaceutical compounds and materials used in medical devices. Pathology services provide the ability to identify and characterize pathologic changes within tissues and cells in determining the safety of a new compound. Laboratory services monitor and analyze the health and genetics of research models used in research protocols. GEMS services include validating, maintaining, breeding and testing research models for biomedical research activities. DS augments our GEMS services by providing efficacy studies and other services required as drugs progress through the development popeline. CSS provides management of animal care operations on behalf of government, academic, pharmaceutical and biotechnology organizations.

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The toxicology and pathology services arrangements typically range from one to six months but can range up to approximately 24 months in length. These agreements are negotiated for a fixed fee. Laboratory service arrangements are generally completed within a one-month period and are also of a fixed fee nature. DS services are also short-term in nature, while GEMS and CSS are longer-term from six months to five years, and are billed at agreed upon rates as specified in the contract.

Our service revenue is recognized upon the completion of the agreed upon performance criteria. These performance criteria are generally in the form of either study protocols or specified activities or procedures which we are engaged to perform. These performance criteria are established by our customers and do not contain acceptance provisions which are based upon the achievement of certain study or laboratory testing results. Revenue of agreed upon rate contracts is recognized as services are performed, based upon rates specified in the contract. Revenue of fixed fee contracts is recognized as services are performed in relation to estimated costs to complete procedures specified by customers in the form of study protocols. In general, such amounts become billable in accordance with predetermined payment schedules, but are recognized as revenue as services are performed. As a result of the reviews, revisions in estimated effort to complete the contract are reflected in the period in which the change became known.

Deferred and unbilled revenue are recognized in our consolidated balance sheets. In some cases, a portion of the contract fee is paid at the time the study is initiated. These advances are recorded as deferred revenue and recognized as revenue as services are performed. Conversely, in some cases, revenue is recorded based on the level of service performed in advance of billing the customer and recognized as unbilled receivable. As of December 25, 2010, we had recorded unbilled revenue of $27.1 million and deferred revenue of $66.9 million in our consolidated balance sheet based on the difference between the estimated level of services performed and the billing arrangements defined by our service contracts.

Pension Plan Accounting

Our defined benefit pension plans' assets, liabilities and expenses are calculated by accredited independent actuaries using certain assumptions which are approved by management. The actuarial computations require the use of assumptions to estimate the total benefits ultimately payable to employees and allocate this cost to the service periods. The key assumptions used to calculate pension costs are determined and reviewed annually by management after consulting with outside investment advisors and actuaries. The key assumptions include the discount rate, the expected return on plan assets and expected future rate of salary increases. In addition, our actuaries determine the expense or liability of the plan using other assumptions for future experiences such as withdrawal and mortality rate. The assumed discount rate, which is intended to be the actual rate at which benefits could effectively be settled, is adjusted based on the change in the long-term bond yield as of the measurement date. As of December 25, 2010, the weighted-average discount rate for our pension plans was 5.10%. As of December 25, 2010, we had a pension liability of $36.4 million.

The assumed expected return on plan assets is the average return expected on the funds invested or to be invested to provide future benefits to pension plan participants. This includes considering the asset allocation and expected returns likely to be earned over the life of the plan. If the actual return is different from the assumed expected return in plan assets, the difference would be amortized over a period of approximately 15 to 20 years. The estimated effect of a 1.0% change in the expected rate of return would increase or decrease pension expense by $1.9 million.

Stock-based Compensation

We recognize compensation expense for all share-based payment awards made to employees and directors including employee stock options and restricted stock awards based on estimated fair values. Accordingly, stock-based compensation cost is measured at grant date, based on the estimated fair value of the award and is recognized as expense on a straight-line basis over the requisite service

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period which is generally the vesting period. During the year ended December 25, 2010, we recognized $25.5 million of stock compensation expense associated with stock options, restricted stock and performance based stock awards. We estimate the fair value of stock options using the Black-Scholes option-pricing model and the fair value of our restricted stock awards and restricted stock units based on the quoted market price of our common stock. We recognize the associated compensation expense on a straight-line basis over the vesting periods of the awards, net of estimated forfeitures. Forfeiture rates are estimated based on historical pre-vesting forfeitures and are updated on a quarterly basis to reflect actual forfeitures of unvested awards.

Estimating the fair value for stock options requires judgment, including estimating stock-price volatility, expected term, expected dividends and risk-free interest rates. The expected volatility rates are estimated based on historical volatilities of our common stock over a period of time that approximates the expected term of the options. The expected term represents the average time that options are expected to be outstanding and is estimated based on the historical exercise and post-vesting cancellation patterns of our stock options. Expected dividends are estimated based on our dividend history as well as our current projections. The risk-free interest rate is based on the market yield of U.S. Treasury securities for periods approximating the expected terms of the options in effect at the time of grant. These assumptions are updated on at least an annual basis or when there is a significant change in circumstances that could affect these assumptions.

We record deferred tax assets for stock-based awards based on the amount of stock-based compensation recognized in our Consolidated Statements of Income at the statutory tax rate in the jurisdiction in which we will receive a tax deduction. Differences between the deferred tax assets and the actual tax deduction reported on our income tax returns are recorded in additional paid-in capital. If the tax deduction is less than the deferred tax asset, the calculated shortfall reduces our pool of excess tax benefits. If the pool of excess tax benefits is reduced to zero, then subsequent shortfalls would increase our income tax expense. Our pool of excess tax benefits in computed in accordance with the long form method.

Income Taxes

As part of the process of preparing our consolidated financial statements, we estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our current tax expense and assessing temporary and permanent differences resulting from differing treatment of items for tax and financial reporting purposes. We recognize deferred tax assets and liabilities for the temporary differences using the enacted tax rates and laws that will be in effect when we expect the differences to reverse. We assess the realizability of our deferred tax assets based upon the weight of available evidence both positive and negative. To the extent we believe that recovery is not likely, we establish a valuation allowance. In the event that actual results differ from our estimates or we adjust our estimates in the future, we may need to increase or decrease income tax expense which could impact our financial position and results of operations.

As of December 25, 2010, earnings of non-U.S. subsidiaries considered to be indefinitely reinvested totaled $31.8 million. No provision for U.S. income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, we would be subject to both U.S. Federal and state taxes and withholding taxes payable to the various foreign countries. It is our policy to indefinitely reinvest the earnings of our non-U.S. subsidiaries unless they can be repatriated in a manner that generates a tax benefit or an unforeseen cash need arises in the United States and the earnings can be repatriated in a manner that is substantially free of income taxes. It is not practicable to estimate the amount of additional income taxes payable on the earnings that are indefinitely reinvested in foreign operations.

We are a worldwide business and operate in various tax jurisdictions where tax laws and tax rates are subject to change given the political and economic climate in these countries. We report and pay income taxes based upon operational results and applicable law. Our tax provision is based upon

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enacted tax rates in effect to determine both the current and deferred tax position. Any significant fluctuation in tax rates or changes in tax laws could cause our estimate of taxes to change resulting in either increases or decreases in our effective tax rate.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the tax position. The tax benefits recognized in our financial statements from such positions are measured on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

Due to our size and the number of tax jurisdictions within which we conduct our global business operations, we are subject to income tax audits on a regular basis. As a result, we have tax reserves which are attributable to potential tax obligations around the world. We believe we have sufficiently provided for all audit exposures and assessments. Resolutions of these audits or the expiration of the statute of limitations on the assessment of income taxes for any tax year may result in an increase or decrease to our effective tax rate.

Results of Operations

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

	Fiscal Year Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Net sales	100%	100%	100.0%
Cost of products sold and services provided	66.1%	63.9%	61.5%
Selling, general and administrative expenses	20.5%	19.4%	17.3%
Goodwill impairment	26.9%		54.0%
Asset impairment	8.1%		
Termination fee	2.6%		
Amortization of other intangibles	2.2%	2.2%	2.1%
Operating income (loss)	(26.3)%	14.5%	(34.9)%
Interest income	0.1%	0.1%	0.6%
Interest expense	3.1%	1.9%	1.7%
Provision for income taxes	0.0%	3.4%	4.4%
Discontinued operations	(0.7)%	0.1%	0.3%
Noncontrolling interests	0.5%	0.2%	0.1%
Net income (loss) attributable to common shareowners	(29.7)%	9.8%	(40.5)%

Segment Operations

The following tables show the net sales and the percentage contribution of each of our reportable segments for the past three years. They also show cost of products sold and services provided, selling,

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general and administrative expenses, amortization of goodwill and intangibles and operating income by segment and as percentages of their respective segment net sales.

	Fiscal Year Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
	(dollars in millions)		
Net sales:			
Research models and services	$ 667.0	$ 659.9	$ 659.9
Preclinical services	466.4	511.7	635.4
Cost of products sold and services provided:			
Research models and services	388.6	381.2	375.3
Preclinical services	360.0	367.4	421.2
Goodwill impairment:			
Preclinical services	305.0		700.0
Termination fee	30.0		
Asset impairment			
Research models and services	0.8		
Preclinical services	90.6		
Selling, general and administrative expenses:			
Research models and services	85.8	79.1	83.3
Preclinical services	73.4	85.1	88.5
Unallocated corporate overhead	73.3	63.5	52.1
Amortization of other intangibles:			
Research models and services	7.3	6.3	2.6
Preclinical services	17.1	19.4	24.1
Operating income (loss):			
Research models and services	$ 184.5	$ 193.3	$ 198.7
Preclinical services	(379.7)	39.8	(598.4)
Unallocated corporate overhead	(103.3)	(63.5)	(52.1)

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	Fiscal Year Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Net sales:			
Research models and services	58.8%	56.3%	50.9%
Preclinical services	41.2%	43.7%	49.1%
Cost of products sold and services provided:			
Research models and services	58.3%	57.8%	56.9%
Preclinical services	77.2%	71.8%	66.3%
Goodwill impairment:			
Preclinical services	65.4%		110.2%
Asset impairment:			
Research models and services	0.1%		
Preclinical services	19.4%		
Termination fee			
Selling, general and administrative expenses:			
Research models and services	12.9%	12.0%	12.6%
Preclinical services	15.8%	16.6%	13.9%
Unallocated corporate overhead			
Amortization of other intangibles:			
Research models and services	1.1%	1.0%	0.4%
Preclinical services	3.7%	3.8%	3.8%
Operating income:			
Research models and services	27.7%	29.3%	30.1%
Preclinical services	(81.4)%	7.8%	(94.2)%
Unallocated corporate overhead	(9.1)%	(5.4)%	(4.0)%

In our consolidated statements of income, we provide a breakdown of net sales and cost of sales between net products and services. Such information is reported irrespective of the business segment from which the sales were generated.

Fiscal 2010 Compared to Fiscal 2009

Net Sales. Net sales in 2010 were $1,133.4 million, a decrease of $38.2 million, or 3.3%, from $1,171.6 million in 2009.

Research Models and Services. In 2010, net sales for our RMS segment were $667.0 million, an increase of $7.1 million, or 1.1%, from $659.9 million in 2009. Sales growth was driven by the additions of Piedmont Research Center and Cerebricon both of which were acquired in 2009, partially offset by lower sales of research models.

Preclinical Services. In 2010, net sales for our PCS segment were $466.4 million, a decrease of $45.3 million, or 8.8%, compared to $511.7 million in 2009. The decrease in PCS sales was primarily due to reduced biopharmaceutical spending which resulted in lower sales volume and pricing pressure. Favorable foreign currency translation increased sales growth by 0.9%.

Cost of Products Sold and Services Provided. Cost of products sold and services provided in 2010 was $748.6 million, essentially flat with 2009. Cost of products sold and services provided in 2010 was 66.1% of net sales, compared to 63.9% in 2009 due mainly to lower sales.

Research Models and Services. Cost of products sold and services provided for RMS in 2010 was $388.6 million, an increase of $7.4 million, or 1.9%, compared to $381.2 million in 2009. Cost of products sold and services provided as a percentage of net sales in 2010 was 58.3% compared to 57.8% in 2009. The increase in cost as a percentage of sales was due mainly to the impact of increased fixed costs with a small sales increase partially offset by cost savings.

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Preclinical Services. Cost of services provided for the PCS segment in 2010 was $360.0 million, a decrease of $7.4 million, or 2.0%, compared to $367.4 million in 2009. Cost of services provided as a percentage of net sales was 77.2% in 2010, compared to 71.8% in 2009. The increase in cost of services provided as a percentage of net sales was primarily due to lower capacity utilization due to the lower sales volume and increased pricing pressure.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in 2010 were $232.5 million, an increase of $4.8 million, or 2.1%, from $227.7 million in 2009. Selling, general and administrative expenses in 2010 were 20.5% of net sales compared to 19.4% of net sales in 2009. The increase in selling, general and administrative expenses as a percentage of sales was primarily due to lower sales.

Research Models and Services. Selling, general and administrative expenses for RMS in 2010 were $85.8 million, an increase of $6.7 million, or 8.5%, compared to $79.1 in 2009. Selling, general and administrative expenses increased as a percentage of sales to 12.9% in 2010 from 12.0% in 2009, due mainly to the reinstatement of limited merit-based wage increases coupled with increased allocations of Corporate Marketing and IT costs.

Preclinical Services. Selling, general and administrative expenses for the PCS segment in 2010 were $73.4 million, a decrease of $11.7 million, or 13.6%, compared to $85.1 million in 2009 due mainly to reduced allocations of Corporate Marketing and IT costs and tight expense control over discretionary costs. Selling, general and administrative expenses in 2010 decreased to 15.8% of net sales compared to 16.6% in 2009.

Unallocated Corporate Overhead. Unallocated corporate overhead, which consists of various costs primarily related to activities centered at our corporate headquarters, such as compensation (including stock-based compensation), information systems, compliance and facilities expenses associated with our corporate, administration and professional services functions was $73.3 million in 2010, compared to $63.5 million in 2009. The increase in unallocated corporate overhead during 2010 was due primarily to increased global IT costs and costs related to the implementation of our ERP system in 2010 and increased costs associated with the evaluation of acquisition candidates.

Goodwill Impairment. Our annual goodwill impairment assessment has historically been completed at the beginning of the fourth quarter. Based on our assessment (step one) for 2010, the fair value of our PCS business was less than its carrying value. The second step of the goodwill impairment test involved us calculating the implied goodwill for the PCS business. The carrying value of the goodwill assigned to the PCS business exceeded the implied fair value of goodwill resulting in a goodwill impairment of $305.0 million.

Asset Impairment. During the fourth quarter of 2010, based on our most recent market outlook we assessed our long-lived assets for impairment. The assessment included an evaluation of the ongoing cash flows of the long-lived assets. We determined, based upon our evaluation, that the long-lived assets associated with PCS-Massachusetts and PCS-China were no longer fully recoverable from the future cash flows. Based upon the assets no longer being fully recoverable, we determined the fair value of the long-lived assets based upon a valuation completed by an independent third party valuation firm. The valuation was based upon the estimated market value of the long-lived assets and the future cash flow expected to be generated from the long-lived assets. Accordingly, we recorded impairment charges of $64.6 million for PCS-Massachusetts, $17.2 million for PCS-China and $7.2 million for in-process research and development costs representing the excess of the carrying value of the SPC assets over their respective fair market values.

Termination Fee. On July 29, 2010, we signed a termination agreement with WuXi PharmaTech (Cayman) Inc. (WuXi) to terminate the previously announced acquisition agreement. In accordance with the terms of the termination agreement, on July 29, 2010, we paid WuXi a $30.0 million termination fee for full satisfaction of the parties' obligations under the acquisition agreement.

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Amortization of Other Intangibles. Amortization of other intangibles in 2010 was $24.4 million, a decrease of $1.3 million, from $25.7 million in 2009.

Research Models and Services. In 2010, amortization of other intangibles for our RMS segment was $7.3 million, an increase of $1.0 million from $6.3 million in 2009 due to acquisitions.

Preclinical Services. In 2010, amortization of other intangibles for our PCS segment was $17.1 million, a decrease of $2.3 million from $19.4 million in 2009.

Operating Loss. Operating loss in 2010 was $298.5 million, compared to operating income of $169.6 million in 2009.

Research Models and Services. In 2010, operating income for our RMS segment was $184.5 million, a decrease of $8.8 million, or 4.6%, from $193.3 million in 2009. Operating income as a percentage of net sales in 2010 was 27.7%, compared to 29.3% in 2009. The decrease in operating income as a percentage of net sales was primarily due to the impact of our fixed costs with flat sales and higher selling, general and administrative expenses.

Preclinical Services. In 2010, operating loss for our PCS segment was $379.7 million compared to operating income of $39.8 million in 2009. The decrease in operating income was primarily due to our $305.0 million goodwill impairment, our $64.6 million PCS-Massachusetts impairment and $17.2 million PCS-China impairment.

Interest Expense. Interest expense in 2010 was $35.3 million, compared to $21.7 million in 2009. The increase was due to increased debt balances.

Interest Income. Interest income in 2010 was $1.2 million compared to $1.7 million in 2009 primarily due to lower cash balances and lower interest rates on invested funds.

Income Taxes. Income tax expense in 2010 was $23 thousand, compared to $40.4 million in 2009. Our effective tax rate was 0.0% in 2010, compared to 26.6% in 2009. Changes in the effective tax rate resulted primarily from goodwill and fixed asset impairments that were unbenefitted for tax purposes, amount and mix of earnings, increased tax benefits related to our research and development activities in Canada and the UK and the cost of repatriating foreign earnings that were formerly permanently reinvested.

Income from discontinued operations. During the fourth quarter of 2010, we initiated actions to divest our Phase I clinical services business. We engaged an investment banker and were actively trying to sell the Phase I clinical services business at year end. On December 25, 2010, taking into account the planned divestiture of the Phase I clinical services business, we performed an impairment test on the long-lived assets of the Phase I clinical services business. Based on this analysis, we determined that the book value of assets assigned to the Phase I clinical services business exceeded its future cash flows, which included the proceeds from the sale of the business, and therefore recorded an impairment of the assets of $6.4 million.

Net Loss Income attributable to common shareowners. Net loss attributable to common shareowners in 2010 was $336.7 million, compared to net income of $114.4 million in 2009.

Fiscal 2009 Compared to Fiscal 2008

Net Sales. Net sales in 2009 were $1,171.6 million, a decrease of $123.7 million, or 9.5%, from $1,295.3 million in 2008.

Research Models and Services. In 2009, net sales for our RMS segment were $659.9 million, flat compared to 2008. Sales growth from the additions of Piedmont Research Center, MIR Preclinical Services and Cerebricon was offset by softer demand for research model products and services, a 1.3% negative impact from foreign currency translation and the divestiture of the vaccine business in Mexico.

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Preclinical Services. In 2009, net sales for our PCS segment were $511.7 million, a decrease of $123.7 million, or 19.5%, compared to $635.4 million in 2008. The decrease in PCS sales was primarily due to slower demand for preclinical services and unfavorable foreign currency which decreased sales growth by 3.4%, partially offset by full year impact of the NewLab acquisition.

Cost of Products Sold and Services Provided. Cost of products sold and services provided in 2009 was $748.6 million, a decrease of $47.9 million, or 6.0%, from $796.5 million in 2008. Cost of products sold and services provided in 2009 was 63.9% of net sales, compared to 61.5% in 2008.

Research Models and Services. Cost of products sold and services provided for RMS in 2009 was $381.2 million, an increase of $5.9 million, or 1.6%, compared to $375.3 million in 2008. Cost of products sold and services provided as a percentage of net sales in 2009 was 57.8% compared to 56.9% in 2008. The increase in cost as a percentage of sales was due to the impact of increased fixed costs with flat sales.

Preclinical Services. Cost of services provided for the PCS segment in 2009 was $367.4 million, a decrease of $53.8 million, or 12.8%, compared to $421.2 million in 2008. Cost of services provided as a percentage of net sales was 71.8% in 2009, compared to 66.3% in 2008. The increase in cost of products sold and services provided as a percentage of net sales was primarily due to lower capacity utilization, additional costs associated with the start up of the new preclinical facilities in Sherbrooke and China and severance costs partially offset by cost savings initiatives.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in 2009 were $227.7 million, an increase of $3.8 million, or 1.7%, from $223.9 million in 2008. Selling, general and administrative expenses in 2009 were 19.4% of net sales compared to 17.3% of net sales in 2008. The increase in selling, general and administrative expenses as a percentage of net sales was primarily due to the lower sales.

Research Models and Services. Selling, general and administrative expenses for RMS in 2009 were $79.1 million, a decrease of $4.2 million, or 5.2%, compared to $83.3 in 2008. Selling, general and administrative expenses decreased as a percentage of sales to 12.0% in 2009 from 12.6% in 2008, due mainly to tight control of discretionary costs and lower operating expenses in Japan.

Preclinical Services. Selling, general and administrative expenses for the PCS segment in 2009 were $85.1 million, a decrease of $3.4 million, or 3.8%, compared to $88.5 million in 2008 due mainly to tight control of discretionary costs, lower incentive compensation expense and a gain on the sale of real estate. Selling, general and administrative expenses in 2009 increased to 16.6% of net sales compared 13.9% in 2008, due mainly to lower sales.

Unallocated Corporate Overhead. Unallocated corporate overhead, which consists of various costs primarily related to activities centered at our corporate headquarters, such as compensation (including stock-based compensation), information systems, compliance and facilities expenses associated with our corporate, administration and professional services functions was $63.5 million in 2009, compared to $52.1 million in 2008. The increase in unallocated corporate overhead during 2009 was due primarily to severance charges related to our cost-saving actions, growth in health care costs, increased costs associated with the evaluation of acquisition candidates and the impact of the 2008 pension curtailment gain.

Amortization of Other Intangibles. Amortization of other intangibles in 2009 was $25.7 million, a decrease of $1.0 million, from $26.7 million in 2008.

Research Models and Services. In 2009, amortization of other intangibles for our RMS segment was $6.3 million, an increase of $3.7 million from $2.6 million in 2008 due to acquisitions.

Preclinical Services. In 2009, amortization of other intangibles for our PCS segment was $19.4 million, a decrease of $4.7 million from $24.1 million in 2008.

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Operating Income. Operating income in 2009 was $169.6 million, compared to a loss of $451.8 million in 2008 due primarily to the goodwill impairment of $700.0 million in 2008.

Research Models and Services. In 2009, operating income for our RMS segment was $193.3 million, a decrease of $5.4 million, or 2.7%, from $198.7 million in 2008. Operating income as a percentage of net sales in 2009 was 29.3%, compared to 30.1% in 2008. The decrease in operating income as a percentage of net sales was primarily due to the impact of our fixed costs with flat sales.

Preclinical Services. In 2009, operating income for our PCS segment was $39.8 million compared to a loss of $598.4 million in 2008. The increase in operating income was primarily due to our $700 million goodwill impairment recorded in 2008, partially offset by the impact of lower sales and increased severance costs.

Interest Expense. Interest expense in 2009 was $21.7 million, compared to $22.3 million in 2008. The decrease was due to lower debt balances and lower interest rates on outstanding debt partially offset by increased interest expense on the convertible debt and reduced capitalized interest.

Interest Income. Interest income in 2009 was $1.7 million compared to $7.9 million in 2008 primarily due to lower cash balances and lower interest rates on invested funds.

Income Taxes. Income tax expense in 2009 was $40.4 million, a decrease of $16.6 million compared to $57.0 million in 2008. Our effective tax rate was 26.6% in 2009, compared to (12.1)% in 2008. The goodwill impairment adversely impacted our 2008 effective tax rate by (51.4)%. Other changes in the effective tax rate resulted from earnings mix, increased unbenefitted losses in several jurisdictions and audit settlement benefits recorded in 2009. Additionally, the effective tax rate for 2008 included a one-time charge due to Massachusetts tax law change and one-time benefit due to repatriation of foreign earnings.

Income from discontinued operations. The net income from discontinued operations in 2009 of $1.4 million represented our Phase I business results and a decrease in the loss recognized from the sale of the Phase II IV Clinical Services business of $5.6 million net of applicable income tax expense of $2.4 million. This adjustment resulted from a settlement with the IRS Appeals Division in the third quarter of 2009.

Net Income/Loss attributable to common shareowners. Net income attributable to common shareowners in 2009 was $114.4 million, compared to a loss of $524.5 million in 2008.

Liquidity and Capital Resources

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

Our principal sources of liquidity have been our cash flow from operations, our marketable securities and our revolving line of credit arrangements.

On August 26, 2010, we amended and restated our $428.0 million credit agreement to (1) repay loans outstanding under the $428.0 million credit agreement, (2) extend the maturity date under this new $750.0 million credit facility to August 26, 2015 and (3) terminate and repay the remaining term loan under our $50.0 million credit agreement. The $750.0 million credit agreement, which has a maturity date of August 26, 2015, provides for a $230.0 million U.S. term loan, a 133.8 million Euro term loan and a $350.0 million revolver. Under specified circumstances, we have the ability to increase the term loans and/or revolving line of credit by up to $250.0 million in the aggregate. Deferred financing costs associated with the new $750.0 million credit agreement were $14.1 million, of which $9.6 million were capitalized and will amortize over 5 years, and $4.5 million which were expensed. Our obligations under the $750.0 million credit agreement are guaranteed by our material domestic subsidiaries and are secured by substantially all of our assets, including a pledge of 100% of the capital stock of our domestic subsidiaries (other than the capital stock of any domestic subsidiary that is

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treated as a disregarded entity for U.S. federal income tax purposes) and 65% of the capital stock of certain first-tier foreign subsidiaries and domestic disregarded entities, and mortgages on owned real property in the U.S. having a book value in excess of $10.0 million. The $400.0 million term loan facility matures in 20 quarterly installments with the last installment due June 30, 2015. The $350.0 million U.S. revolving facility matures on August 26, 2015 and requires no scheduled payment before that date. The interest rates applicable to term loans and revolving loans under the new $750.0 million credit agreement are higher than the interest rates under the prior facilities reflecting greater leverage and current market conditions. The new $750.0 million credit agreement contains certain customary representations and warranties, affirmative covenants and events of default.

The interest rates applicable to term loans and revolving loans under the credit agreement are, at our option, equal to either the base rate (which is the higher of (1) the prime rate, (2) the federal funds rate plus 0.50% or (3) the one-month adjusted LIBOR rate plus 1%) plus an applicable interest rate margin based upon the leverage ratio or the adjusted LIBOR rate plus an interest rate margin based upon our leverage ratio.

Our Board of Directors authorized a $500.0 million stock repurchase program on July 29, 2010 and increased the authorization by $250.0 million to $750.0 million on October 20, 2010. In order to enable us to facilitate, on a more timely and cost efficient basis, the repurchase of a substantial number of our shares pursuant to that stock repurchase authorization, on August 26, 2010, we entered into an agreement with a third-party investment banker to implement an accelerated stock repurchase (ASR) program to repurchase $300.0 million of common stock. Under the ASR, we paid a purchase price of $300.0 million on August 27, 2010 from cash on hand and available liquidity, including funds borrowed by us under our new amended and restated $750.0 million credit facility. We received an initial delivery on August 27, 2010 of 6,000,000 shares of our common stock. The ASR program was recorded as two transactions allocated between the initial purchase of treasury shares and a forward contract indexed to our common stock. We received an additional 750,000 shares under the ASR on September 23, 2010 and 1,250,000 shares on December 21, 2010. Through the end of the fourth quarter, we received a total of 8,000,000 shares under the ASR. The ASR settled on February 11, 2011 and we received the final 871,829 shares based on a discount to the daily volume weighted average price (VWAP) of our common stock over the course of a calculation period. The treasury shares result in an immediate reduction of shares on our statement of financial position and in our EPS calculation. In addition to shares repurchased under the ASR, during 2010 we repurchased 1,759,857 shares on the open market at a total cost of $52.9 million.

The ASR resulted in a cash need in the United States that was previously unforeseen. In accordance with our policy with respect to the unremitted earnings of our non-U.S. subsidiaries, we evaluated whether a portion of the foreign earnings could be repatriated in order to fund the ASR. We determined that approximately $229.8 million of earnings that were previously indefinitely reinvested and approximately $63.6 million in basis in our non-U.S. subsidiaries could be repatriated in a substantially tax-free manner. As such, we changed our indefinite reinvestment assertion with respect to these earnings and accrued the cost to repatriate of $10.3 million, of which $15.3 million is reflected as Income Tax Expense, with an offset of a benefit of $4.9 million recorded in the Cumulative Translation Adjustment account. During 2010, we repatriated approximately $293.4 million to the U.S. to partially fund the ASR and the $30.0 million WuXi termination fee. In accordance with our policy, the remaining undistributed earnings of our non-U.S. subsidiaries remain indefinitely reinvested as of the end of 2010 as they are required to fund needs outside the U.S. and cannot be repatriated in a manner that is substantially tax free.

As of December 25, 2010, we had $21.2 million in marketable securities with $9.8 million in time deposits and $11.4 million in auction rate securities rated AAA by a major credit rating agency. Our auction rate securities are guaranteed by U.S. federal agencies. In June 2010, we received notice of a full call on certain of our auction rate securities at par value of $5.5 million and received the proceeds in early July 2010. The current overall credit concerns in the capital markets as well as the failed auction status of these securities have impacted our ability to liquidate our auction rate securities. If

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the auctions for the securities we own continue to fail, the investment may not be readily convertible to cash until a future auction of these investments is successful. Based on our ability to access our cash and other short-term investments, our expected operating cash flows and other sources of cash, we do not anticipate the current lack of liquidity on these investments will affect our ability to operate our business as usual.

In 2006, we issued $350.0 million of 2.25% Convertible Senior Notes (the 2013 Notes) due in 2013. At December 25, 2010, the fair value of our outstanding 2013 Notes was approximately $349.2 million based on their quoted market value. During the fourth quarter of 2010, no conversion triggers were met.

On July 29, 2010, we signed a termination agreement with WuXi to terminate the previously announced acquisition agreement. In accordance with the terms of the termination agreement, we paid WuXi on July 29, 2010, a $30.0 million termination fee for full satisfaction of the parties' obligations under the acquisition agreement. The termination agreement also included mutual releases of any claims and liabilities arising out of or relating to the acquisition agreement.

Cash and cash equivalents totaled $179.2 million at December 25, 2010 compared to $182.6 million at December 26, 2009.

Net cash provided by operating activities in 2010 and 2009 was $168.2 million and $215.6 million, respectively. The decrease in cash provided by operations was primarily due to lower earnings, which were impacted by the WuXi termination fee. Our days sales outstanding (DSO) of 45 days as of December 25, 2010 has increased from 42 days at December 26, 2009. The increase in our DSO was primarily driven by decreased deferred revenue as a result of lower PCS sales volume. Our DSO includes deferred revenue as an offset to accounts receivable in the calculation. Our future net cash provided by operating activities will be impacted by future timing of customer payments for products and services as evidenced in our DSO. A one day increase or decrease in our DSO represents a change of approximately $3.1 million of cash provided by operating activities.

Net cash provided by (used in) investing activities in 2010 and 2009 was $3.0 million and $(209.1) million, respectively. Our capital expenditures in 2010 were $42.9 million of which $27.7 million was related to RMS and $15.2 million to PCS. For 2011, we project capital expenditures to be in the range of $50.0 million. We anticipate that future capital expenditures will be funded by operating activities and existing credit facilities. Net proceeds and (purchases) of investments in 2010 and 2009 were $44.9 million and $(48.5) million, respectively. We paid $83.3 million for acquisitions during 2009, primarily related to our purchases of Piedmont Research Center, Systems Pathology Company, LLC (SPC) and Cerebricon.

Net cash used in financing activities in 2010 was $168.0 million and $81.0 million in 2009. During 2010, we used $356.5 million for the purchase of treasury stock and the Accelerated Stock Repurchase Program as well as repaid debt of $381.5 million, partially offset by proceeds from debt of $579.4 million. During 2009, we purchased $45.9 million of treasury stock and repaid $54.1 million of debt, partially offset by proceeds from debt of $18.0 million.

Minimum future payments of our contractual obligations at December 25, 2010 are as follows:

Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
Debt	$ 736.3	$ 30.5	$ 451.4	$ 254.4	$
Interest payments	101.3	34.1	54.4	12.8	
Operating leases	87.6	18.3	28.2	18.3	22.8
Pension and supplemental retirement benefits	114.6	11.5	24.3	15.8	63.0
Total contractual cash obligations	$ 1,039.8	$ 94.4	$ 558.3	$ 301.3	$ 85.8

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The above table does not reflect unrecognized tax benefits. Refer to Note 7 to the Consolidated Financial Statements for additional discussion on unrecognized tax benefits.

Off-Balance Sheet Arrangements

The conversion features of our 2013 Notes are equity-linked derivatives. As such, we recognize these instruments as off-balance sheet arrangements. Because the conversion features associated with these notes is indexed to our common stock and classified in stockholders' equity, these instruments are not accounted for as derivatives.

Recent Accounting Pronouncements

Effective December 27, 2009, we adopted an accounting standard update which addressed the accounting for multiple-deliverable arrangements to enable vendors to account for products or services separately rather than as a combined unit. Specifically, this update addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. The adoption of this update did not have an impact on our consolidated financial statements.

Effective December 27, 2009, we adopted a new accounting standard to improve financial reporting by companies involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This standard replaces the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. An approach that is expected to be primarily qualitative will be more effective for identifying which reporting entity has a controlling financial interest in a variable interest entity. The amendments in this standard also require additional disclosures about a reporting entity's involvement in variable interest entities, which will enhance the information provided to users of financial statements. The adoption of this update did not have an impact on our consolidated financial statements.

In January 2010, the FASB issued an accounting standard update to clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend. This update was effective for us on December 27, 2009 and had no impact on our consolidated financial statements.

In January 2010, the FASB issued an accounting standard update that requires new disclosures related to fair value measurements. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. In addition, in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), an entity should present separately information about purchases, sales, issuances and settlements on a gross basis rather than as one net number. This update also clarifies existing disclosures by requiring fair value measurement disclosures for each class of assets and liabilities as well as disclosures about inputs and valuation techniques for fair value measurements that fall into Level 2 or Level 3. This update also includes conforming amendments to the guidance on employers' disclosures about postretirement benefit plans that changes the terminology from *major categories* of assets to *classes* of assets. This update was effective for us on December 27, 2009 and has increased the fair value disclosures made in our consolidated financial statements.

In February 2010, the FASB issued an accounting standard update to amend required subsequent events disclosure and eliminate potential conflict with SEC guidance. Specifically, an entity that is an SEC filer is no longer required to disclose the date through which subsequent events have been

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evaluated. This update was effective for us on December 27, 2009 and had no impact on our consolidated financial statements.

In April 2010, the FASB issued an accounting standard update to provide guidance on defining a milestone in regards to revenue recognition, and for determining whether the milestone method of revenue recognition is appropriate. An entity can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all the criteria to be considered substantive. Determining whether a milestone is substantive is a matter of judgment made at the inception of the arrangement. The amendment will be effective for us beginning in fiscal 2011, and it will have no impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

We entered into a $750.0 million credit agreement dated August 26, 2010. Our primary interest rate exposure results from changes in LIBOR or the base rates which are used to determine the applicable interest rates under our term loans and revolving credit facility in the $750.0 million credit agreement.

Our potential additional interest expense over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate would be approximately $7.4 million on a pre-tax basis. The book value of our debt approximates fair value.

We issued $350.0 million of the 2013 Notes in a private placement in the second quarter of 2006. The Convertible 2013 Notes bear an interest rate of 2.25%. The fair market value of the outstanding notes was approximately $349.2 million on December 25, 2010 based on their quoted market value.

Foreign Currency Exchange Rate Risk

We operate on a global basis and have exposure to some foreign currency exchange rate fluctuations for our earnings and cash flows. This risk is mitigated by the fact that various foreign operations are principally conducted in their respective local currencies. A portion of the revenue from our foreign operations is denominated in U.S. dollars, with the costs accounted for in their local currencies. Additionally, we have exposure on certain intercompany loans. We attempt to minimize this exposure by using certain financial instruments, for purposes other than trading, in accordance with our overall risk management and our hedge policy. In accordance with our hedge policy, we designate such transactions as hedges.

During 2010, we utilized foreign exchange contracts, principally to hedge the impact of currency fluctuations on customer transactions and certain balance sheet items, including intercompany loans. The foreign currency contract outstanding as of December 25, 2010 is a non-designated hedge, and is marked to market with changes in fair value recorded to earnings.

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Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 25, 2010.

The effectiveness of our internal control over financial reporting as of December 25, 2010 has been audited by PricewaterhouseCoopers LLP, an Independent Registered Public Accounting Firm, as stated in their report which is included herein.

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, equity and cash flows present fairly, in all material respects, the financial position of Charles River Laboratories International, Inc. and its subsidiaries at December 25, 2010 and December 26, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 25, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 25, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
February 23, 2011

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share amounts)

	Fiscal Year Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Net sales related to products	$ 458,623	$ 465,268	$ 471,741
Net sales related to services	674,793	706,374	823,558
Net sales	1,133,416	1,171,642	1,295,299
Costs and expenses			
Cost of products sold	252,962	255,682	252,938
Cost of services provided	495,694	492,968	543,540
Selling, general and administrative	232,489	227,663	223,935
Goodwill impairment	305,000		700,000
Asset impairments	91,378		
Termination fee	30,000		
Amortization of other intangibles	24,405	25,716	26,725
Operating income (loss)	(298,512)	169,613	(451,839)
Other income (expense)			
Interest income	1,186	1,712	7,882
Interest expense	(35,279)	(21,682)	(22,335)
Other, net	(1,477)	1,914	(5,154)
Income (loss) from continuing operations, before income taxes	(334,082)	151,557	(471,446)
Provision for income taxes	23	40,354	57,029
Income (loss) from continuing operations, net of income taxes	(334,105)	111,203	(528,475)
Income (loss) from discontinued operations, net of taxes	(8,012)	1,399	3,283
Net income (loss)	(342,117)	112,602	(525,192)
Less: Net loss attributable to noncontrolling interests	5,448	1,839	687
Net income (loss) attributable to common shareowners	$ (336,669)	$ 114,441	$ (524,505)
Earnings (loss) per common share			
Basic:			
Continuing operations attributable to common shareowners	$ (5.25)	$ 1.73	$ (7.85)
Discontinued operations	$ (0.13)	$ 0.02	$ 0.05
Net income (loss) attributable to common shareowners	$ (5.38)	$ 1.75	$ (7.80)
Diluted:			
Continuing operations attributable to common shareowners	$ (5.25)	$ 1.72	$ (7.85)
Discontinued operations	$ (0.13)	$ 0.02	$ 0.05
Net income (loss) attributable to common shareowners	$ (5.38)	$ 1.74	$ (7.80)

See Notes to Consolidated Financial Statements.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share amounts)

	December 25, 2010	December 26, 2009
Assets		
Current assets		
Cash and cash equivalents	$ 179,160	$ 182,574
Trade receivables, net	192,972	190,101
Inventories	100,297	102,723
Other current assets	76,603	111,884
Current assets of discontinued businesses	3,862	8,319
Total current assets	552,894	595,601
Property, plant and equipment, net	752,657	863,744
Goodwill, net	198,438	508,235
Other intangibles, net	121,236	153,580
Deferred tax asset	45,003	21,443
Other assets	62,323	53,180
Long-term assets of discontinued businesses	822	8,310
Total assets	$ 1,733,373	$ 2,204,093
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt and capital leases	$ 30,582	$ 35,413
Accounts payable	30,627	31,218
Accrued compensation	48,918	45,250
Deferred revenue	66,905	71,114
Accrued liabilities	59,369	48,796
Other current liabilities	20,095	15,219
Current liabilities of discontinued businesses	3,284	2,763
Total current liabilities	259,780	249,773
Long-term debt and capital leases	670,270	457,419
Other long-term liabilities	114,596	122,066
Long-term liabilities of discontinued businesses		1,011
Total liabilities	1,044,646	830,269
Commitments and contingencies		
Shareowners' equity		
Preferred stock, $0.01 par value; 20,000,000 shares authorized; no shares issued and outstanding		
Common stock, $0.01 par value; 120,000,000 shares authorized; 77,531,056 issued and 56,441,081 shares outstanding at December 25,	775	771

2010 and 77,106,847 issued and 65,877,218 shares outstanding at December 26, 2009		
Capital in excess of par value	1,996,874	2,038,455
Accumulated deficit	(575,162)	(238,493)
Treasury stock, at cost, 21,089,975 shares and 11,229,629 shares at December 25, 2010 and December 26, 2009, respectively	(768,699)	(470,527)
Accumulated other comprehensive income	33,635	45,037
Total shareowners' equity	687,423	1,375,243
Noncontrolling interests	1,304	(1,419)
Total equity	688,727	1,373,824
Total liabilities and equity	$ 1,733,373	$ 2,204,093

See Notes to Consolidated Financial Statements.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Fiscal Year Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Cash flows relating to operating activities			
Net income (loss)	$ (342,117)	$ 112,602	$ (525,192)
Less: Income (loss) from discontinued operations	(8,012)	1,399	3,283
Income (loss) from continuing operations	(334,105)	111,203	(528,475)
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	93,649	89,962	86,851
Amortization of debt issuance costs and discounts	19,777	13,798	13,464
Goodwill impairment	305,000		700,000
Impairment charges	91,378	3,460	2,267
Pension curtailment		(674)	(3,276)
Non-cash compensation	25,526	23,652	24,212
Deferred income taxes	(42,342)	16,845	7,872
Other, net	1,797	906	5,250
Changes in assets and liabilities:			
Trade receivables	(5,640)	21,082	(11,171)
Inventories	1,989	(4,376)	(9,669)
Other assets	(2,131)	1,461	6,206
Accounts payable	71	(11,349)	8,321
Accrued compensation	4,482	(9,545)	1,150
Deferred revenue	(4,209)	(14,468)	(15,127)
Accrued liabilities	5,501	(6,671)	7,324
Other liabilities	7,493	(19,709)	(19,633)
Net cash provided by operating activities	168,236	215,577	275,566
Cash flows relating to investing activities			
Acquisition of businesses and assets, net of cash acquired		(83,347)	(69,151)
Capital expenditures	(42,860)	(79,853)	(198,642)
Purchases of investments	(27,600)	(98,991)	(6,439)
Proceeds from sale of investments	72,464	50,484	45,444
Other, net	950	2,623	51

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