



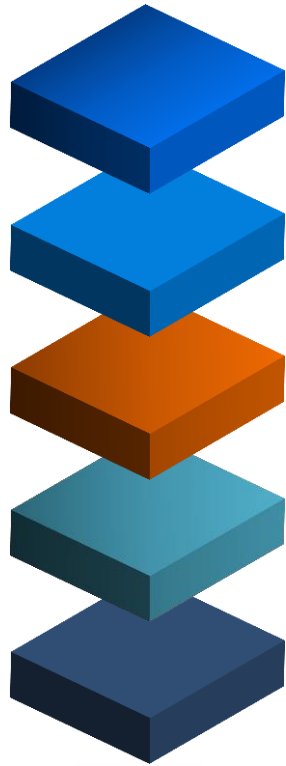
## RAYMOND JAMES INSTITUTIONAL INVESTORS CONFERENCE

MARCH 7, 2017 | ORLANDO, FL

# FORWARD LOOKING STATEMENT

## Cautionary Statement Regarding Forward Looking Statements

This presentation contains forward-looking statements including with respect to estimated 2017 results and guidance and the impact of various factors on operating and financial results. Each of the forward-looking statements is subject to change based on various important factors, including without limitation, competitive actions in the marketplace, and adverse actions of governmental and other third-party payers. Actual results could differ materially from those suggested by these forward-looking statements. The Company has no obligation to provide any updates to these forward-looking statements even if its expectations change. Further information on potential factors that could affect operating and financial results is included in the Company's Form 10-K for the year ended December 31, 2016, including in each case under the heading risk factors, and in the Company's other filings with the SEC. The information in this presentation should be read in conjunction with a review of the Company's filings with the SEC including the information in the Company's Form 10-K for the year ended December 31, 2016, under the heading MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.



**Company Overview**

**Update on “Wave One” Initiatives**

**2016 Highlights**

**Financial Strength**

**2017 Priorities**

**LabCorp** is  
**a world-leading  
life sciences  
company**

that is deeply integrated  
in guiding patient care

**Our  
Mission**  
is to  
**improve  
health and  
improve lives**

# LABCORP OVERVIEW

## A World-Leading Life Sciences Company

- Provides diagnostic, drug development and technology-enabled solutions for >110 million patient encounters per year
- Operates in two segments – LabCorp Diagnostics and Covance Drug Development
- ~\$9.4B revenue in 2016
- >50,000 mission-driven employees worldwide
- Leadership in large, growing, fragmented global markets
- Experienced management team



# LABCORP DIAGNOSTICS OVERVIEW

## Leading National Clinical Laboratory

- ~\$6.6B revenue in 2016
- National network of 41 primary clinical laboratories and approximately 1,750 patient service centers
- Offers broad range of 4,800+ clinical, anatomic pathology, genetic and genomic tests
- Processes ~500,000 patient specimens daily
- Vast and growing patient database -- approximately 50% of U.S. population
- Serves hundreds of thousands of customers, including physicians, government agencies, managed care organizations, hospitals and health systems, patients and consumers

Pro Forma Segment Financial Summary <sup>1</sup>				
	Year Ended		Change	Constant
	2016	2015		Currency
				Change
Revenue	\$6,594	\$6,211	6.2%	6.4%
Adj. O.I.	\$1,323	\$1,234	7.2%	
Adj. O.I. %	20.1%	19.9%	20 bps	



1. Presented on a pro forma basis as if the acquisition of Covance closed on January 1, 2015. Adjusted operating income and margin exclude unallocated corporate expenses, amortization, restructuring charges and other special items

# COVANCE DRUG DEVELOPMENT OVERVIEW

## Leading CRO / Drug Development Services Provider

- ~\$2.8B revenue in 2016
- Market leader in early development, central laboratory, and Phase I-IV clinical trial management services
- Collaborated on 87% of the 45 new drugs approved by FDA in 2015, including all 14 approved oncology drugs, and 20 of 21 drugs treating rare and orphan diseases
- Xcellerate® is the world's most comprehensive investigator performance database

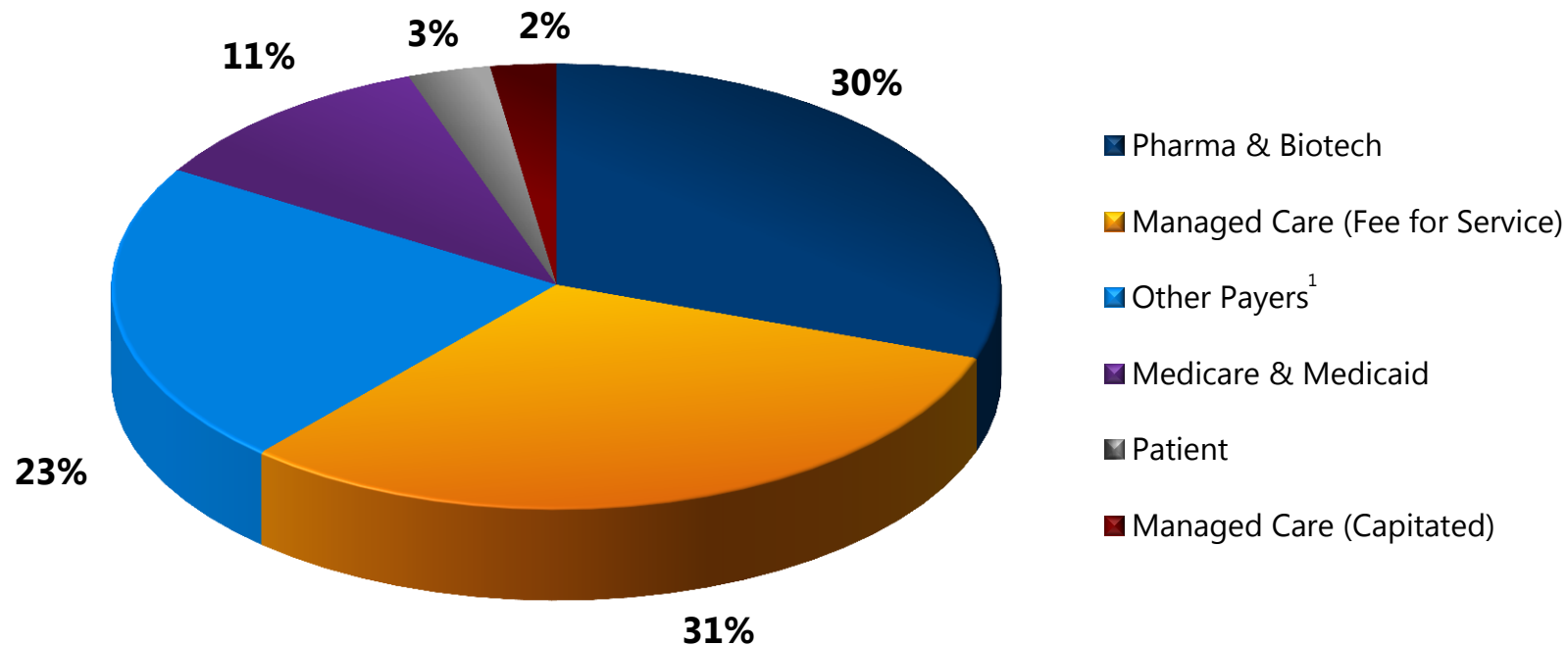
Pro Forma Segment Financial Summary <sup>1</sup>				
	Year Ended		Change	Constant
	2016	2015		Currency
				Change
Revenue	\$2,842	\$2,629	6.2%	9.5%
Adj. O.I.	\$ 413	\$ 371	11.2%	
Adj. O.I. %	14.5%	14.1%	40 bps	



1. Presented on a pro forma basis as if the acquisition of Covance closed on January 1, 2015. Adjusted operating income and margin exclude unallocated corporate expenses, amortization, restructuring charges and other special items

# DIVERSIFIED REVENUE BASE

## Unique Customer Mix

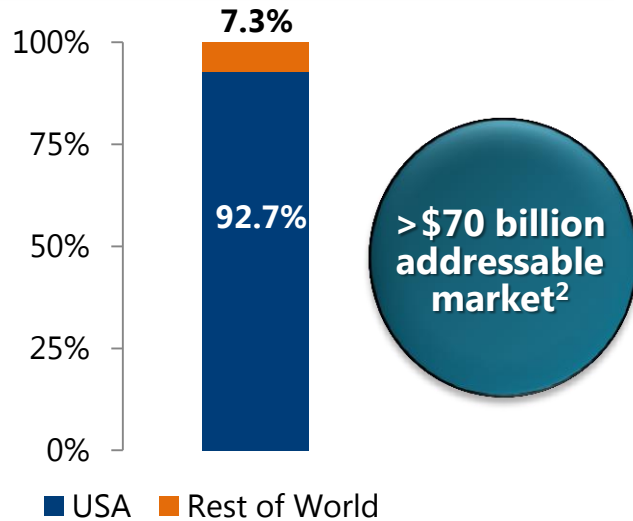


1. Includes physicians and hospitals, occupational testing services, non-U.S. clinical diagnostic laboratory operations, nutritional chemistry and food safety operations, and Beacon LBS

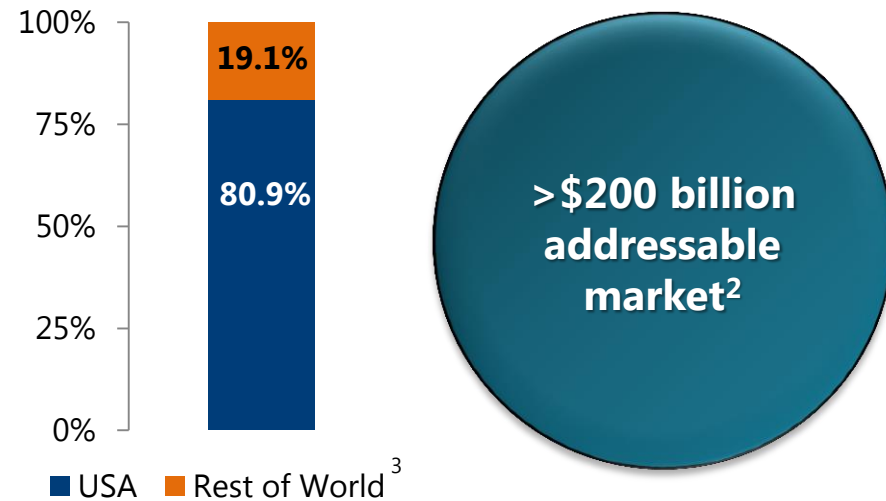


# EXPANDED GROWTH OPPORTUNITIES WITH INCREASED GLOBAL PRESENCE

## 2014 Revenue Distribution<sup>1</sup>



## 2016 Revenue Distribution



### Markets Served

North American  
Clinical Reference Laboratory

Central Laboratory

### Market Opportunities

Global Clinical Reference Laboratory	Drug Development
Central Laboratory	Market Access
Food Safety and Chemistry	

1. 2014 revenue excludes Covance.

2. Based on industry publications and company estimates

3. Over 30 currencies in 2016 and no single currency (other than US dollar) accounts for more than 10% of 2016 revenue

# OUR MISSION: IMPROVE HEALTH AND IMPROVE LIVES



**Organic Growth Through  
New Tests, Customers and  
Markets**

**Build / Acquire  
Complementary Capabilities**

**Integrate Diagnostic  
Information and Content**

**Delivering  
World Class Diagnostics**

**Bringing Innovative  
Medicines to Patients Faster**

**Using Technology  
to Provide Better Care**



**Use Tools and Technology to  
Improve Success, and Reduce  
Time and Cost, of Trials**

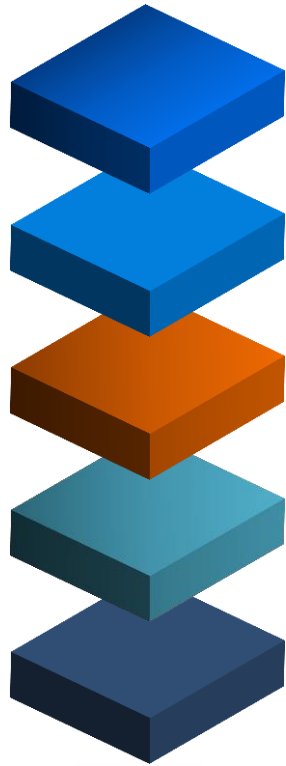
**Build / Acquire  
Complementary Capabilities**

**Develop Scalable Platforms  
and Applications for  
Customers**



**Commercialize  
Technology-Enabled  
Solutions**





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## **Wave One**

---

**1**

**Deliver faster clinical  
trial enrollment**

**2**

**Partner of choice to  
develop and commercialize  
companion diagnostics**

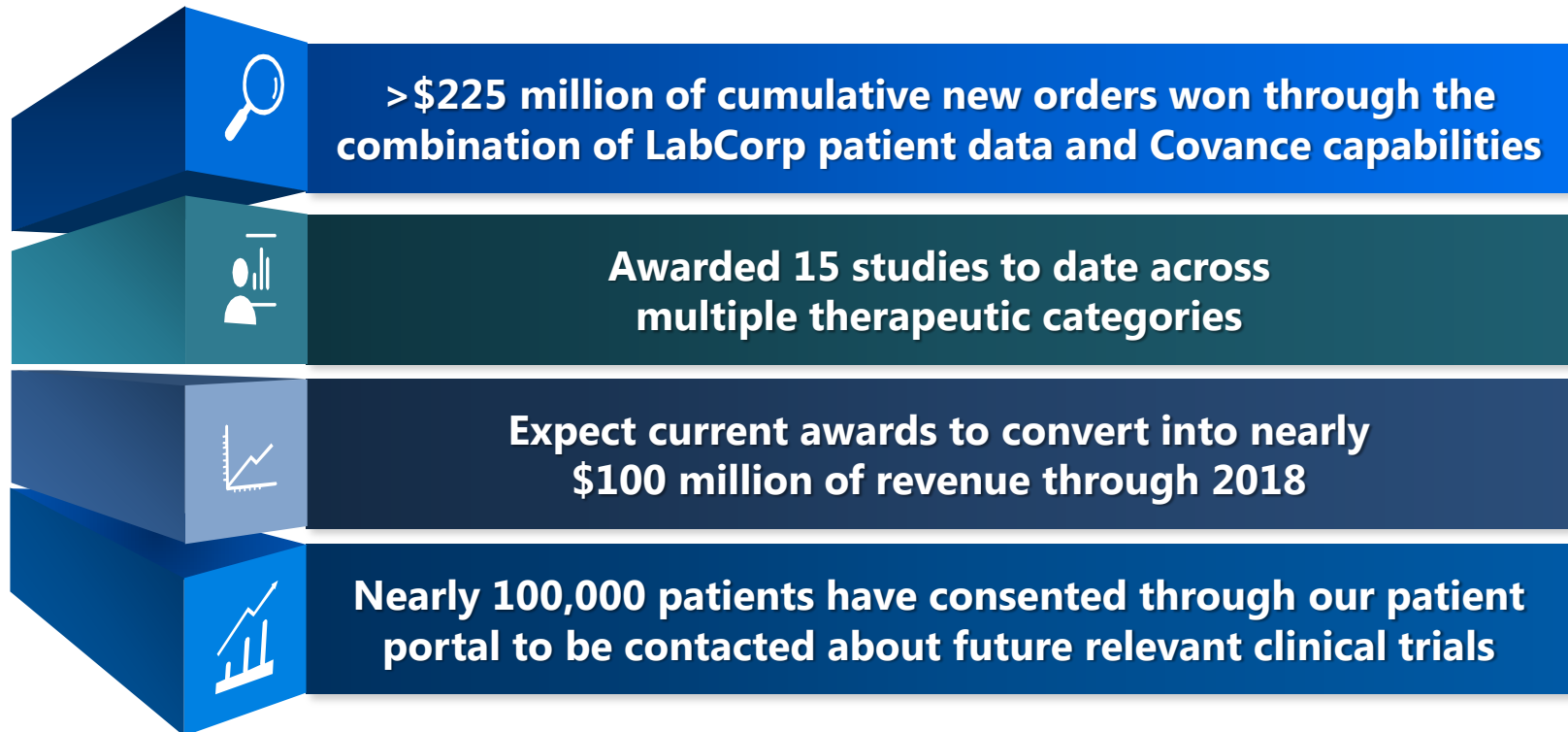
**3**

**Enhance Phase IV trial  
experience and post-market  
surveillance**

**Prioritized top 3 opportunities based on  
materiality, feasibility, and strategic fit**

# PATIENT RECRUITMENT AND SITE SELECTION SOLUTIONS

## Combination of Covance and LabCorp Data Translates into Clear Financial and Strategic Benefits



# COMPANION AND COMPLEMENTARY DIAGNOSTICS (CDX)

## Unmatched CDx Franchise Providing End-to-End Clinical Development and Commercial Lab Testing Solutions

- **Dedicated global CDx team and laboratories**
- **Worked on 60+ CDx programs supporting 145+ clinical protocols in 2016**
- **35% increase in revenue across drug development and commercial clinical laboratory testing since 2014**
- **CDx collaborations with 13 of top 20 pharmaceutical companies**
- **Only CRO awarded a podium presentation at World Companion Diagnostics Conference**

### Notable CDx Tests from LabCorp

- PD-L1 IHC 22C3 pharmDx (Merck's Keytruda®)
- PD-L1 IHC 28-8 pharmDx (Bristol-Myers Squibb's OPDIVO®)
- cobas® EGFR Mutation Test v2 (AstraZeneca's TAGRISSO™ and Roche's Tarceva®)
- Ventana PD-L1 (SP142) (Genentech's TECENTRIQ®)

Keytruda is a registered trademark of Merck Sharp & Dohme Corp., a subsidiary of Merck & Co., Inc.

OPDIVO is a registered trademark of Bristol-Myers Squibb Company.

cobas is a registered trademark of Roche.

TAGRISSO is a trademark of the AstraZeneca group of companies.

Tarceva is a registered trademark of OSI Pharmaceuticals.

TECENTRIQ is a registered trademark of Genentech, Inc.

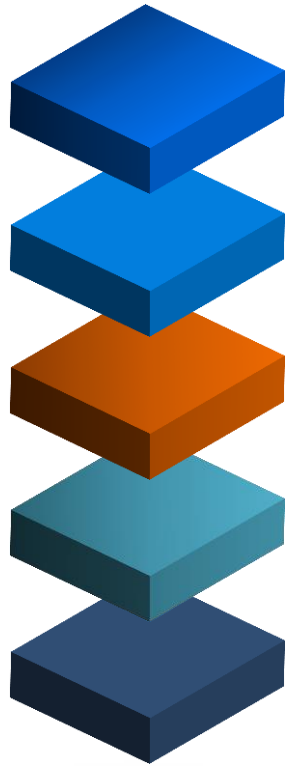


# UNIQUELY POSITIONED FOR PARTNERSHIPS IN REAL-WORLD EVIDENCE AND POST-MARKET SURVEILLANCE

## Delivering Integrated Solutions for Commercially-Approved Products in “Real-World” Setting



- Program Coordinator calls the patient to schedule monthly testing
- Sample is collected and submitted to LabCorp
- Results are delivered to the provider's office
- **Lab Assist Program with Top 20 pharmaceutical partner to facilitate required monthly liver testing**
- **Patient and provider support through program enrollment, monthly test scheduling, and follow up on missed appointments**
- **Convenient access to LabCorp's Patient Service Center network for specimen collections or drop-offs**
- **Customized informatics enable electronic delivery of results to providers and patients**
- **Coordination between Covance Market Access and LabCorp Diagnostics**



**Company Overview**

**Update on “Wave One” Initiatives**


**2016 Highlights**

**Financial Strength**

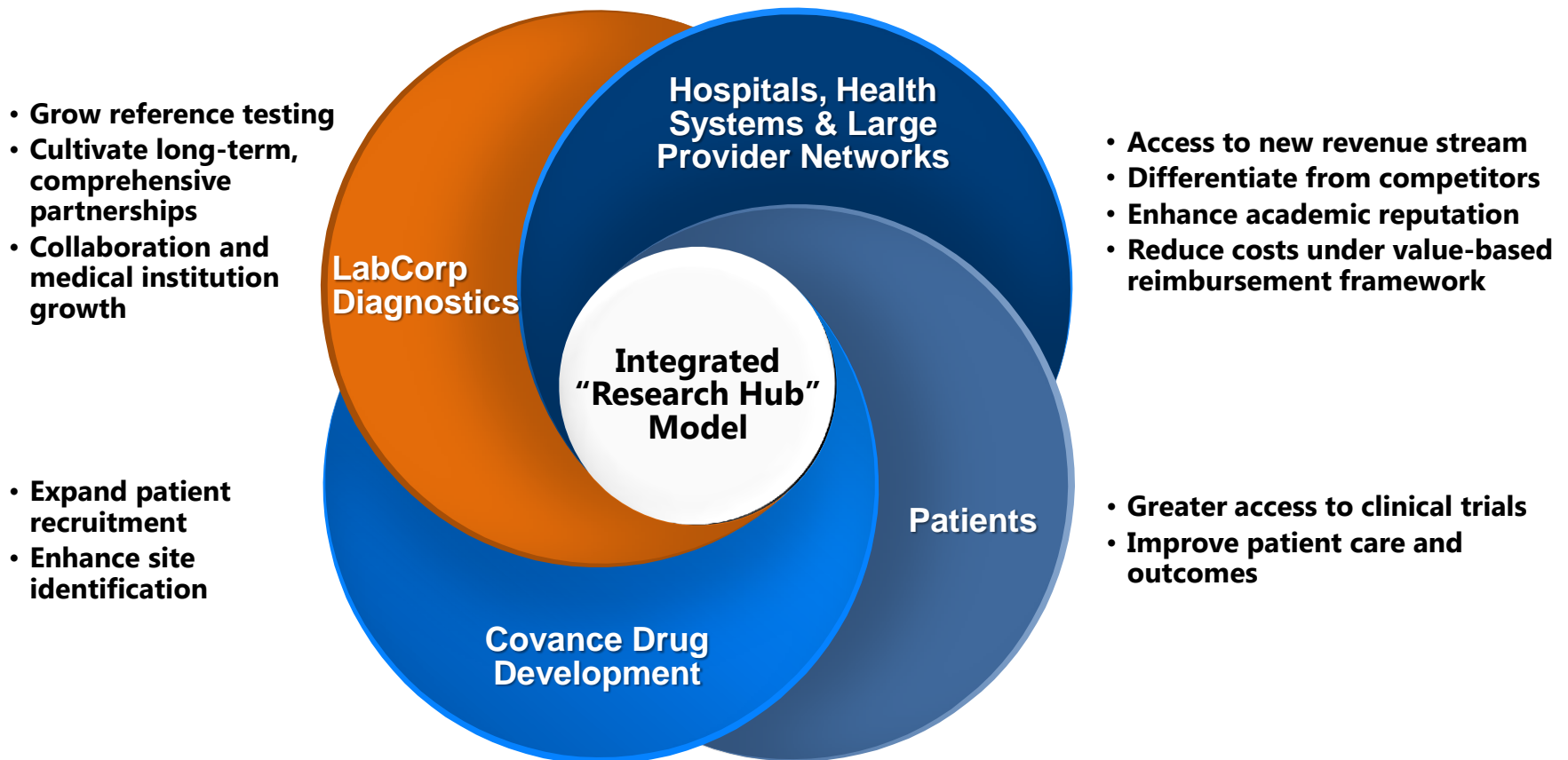
**2017 Priorities**



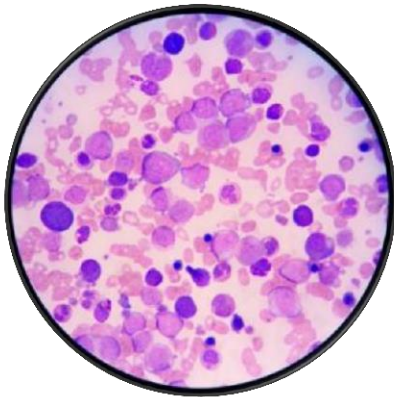
## Innovative Use Cases for LabCorp Data and Technical Expertise Contribute to New Study Awards

Trial	Data / Capability	Outcome
<b>Prevention of upper respiratory tract infections with seasonal incidence</b>	LabCorp-generated data enables Covance to flexibly open and close sites based on timely insights into viruses of interest circulating in a particular community	<p><b>All Studies Awarded to</b></p> 
<b>Non-alcoholic steatohepatitis (NASH)</b>	Leveraged the LabCorp database of physicians ordering Fibrosure, a non-invasive biomarker of fibrosis, in client proposals	
<b>Rare genetic disorder</b>	Director in Biochemical & Molecular Genetics at LabCorp will serve as "Geneticist Expert," and LabCorp team will conduct review, validation and classification of mutation types	
<b>Cardiopulmonary bypass surgery involving use of frozen platelets</b>	LabCorp's Chief Medical Officer served as in-house consultant for transfusion medicine for RFP	

## Integrated “Research Hub” Model for Hospitals and Health Systems, Adding Value for All Key Stakeholders



## Combined Expertise in Oncology Drives Growth



*Acute myeloid leukemia cells*

- Utilized LabCorp data and Covance informatics to secure Phase III study in Acute Myeloid Leukemia
  - Heat map highlighted U.S. physicians with high volume of AML patients; 50,000+ patients represented in this dataset from LabCorp
  - Physicians in LabCorp database evaluated for clinical trial experience and categorized by expertise and practice type
- Integrated, end-to-end development and commercialization capabilities in immuno-oncology
  - Doubled the number of immuno-oncology study awards and related backlog year on year
  - Performed thousands of PD-L1 tests through Diagnostic and Drug Development segments
  - Published real world utilization data at ASCO

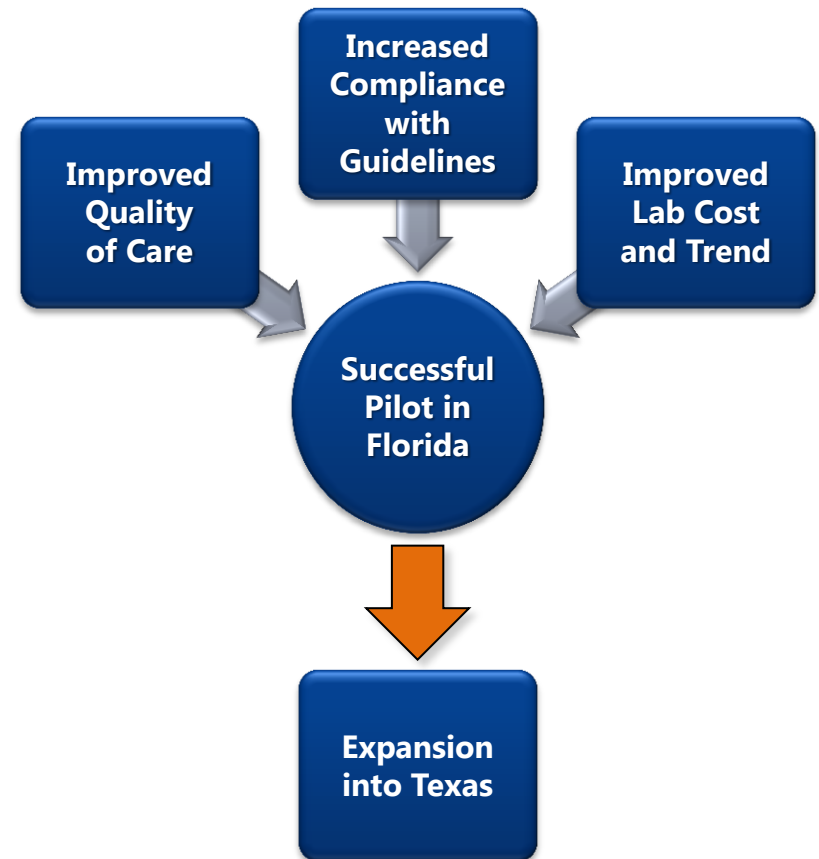
## Internally-Developed Technology Improves Quality of Care Delivered

### BeaconLBS

- Scalable front-end platform providing physician decision support through integrated workflow
- Successful pilot in Florida with UnitedHealthcare
- Compliance with evidence-based guidelines when ordering lab tests increased ~50% since initiation
- Set for expansion into Texas

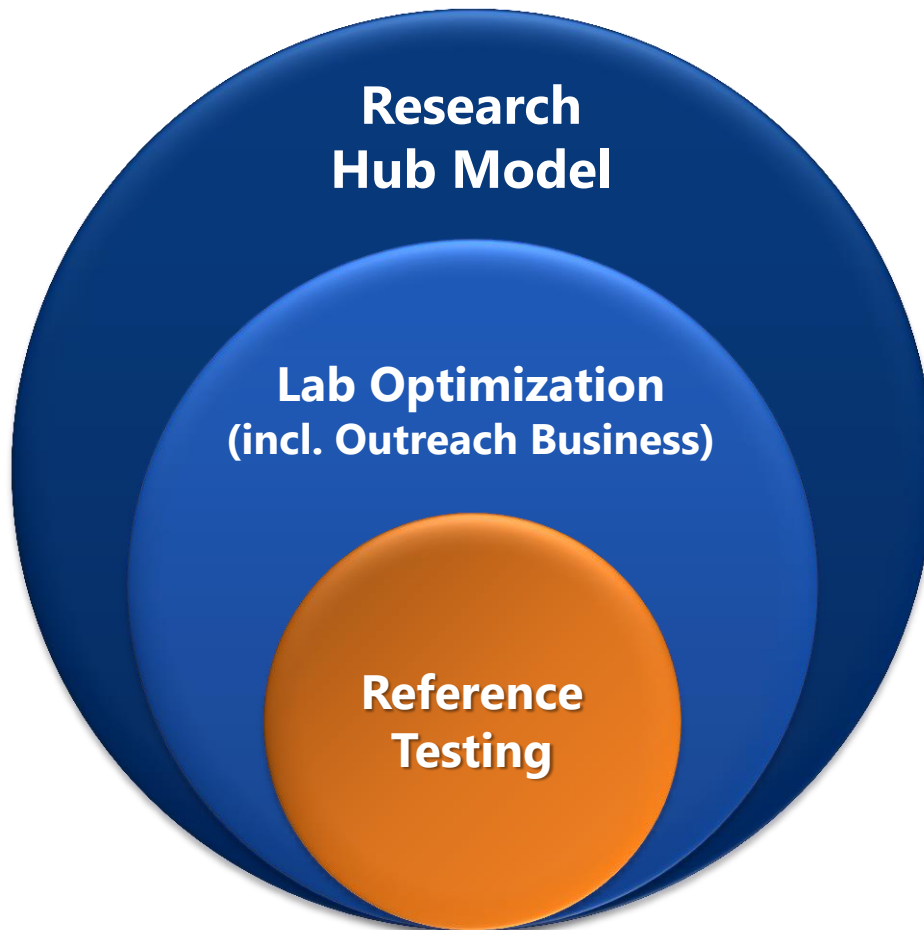
### Xcellerate Monitoring

- Scalable software-as-a-service platform that enables centralized risk-based monitoring
- Implemented first set of studies with Eli Lilly



# LABCORP DIAGNOSTICS HIGHLIGHT

**Broad and Flexible Health System and Large Provider Collaborations Have Been a Successful Model for Over Three Decades**



- **1,800+ hospital clients, and 200+ partnerships**
- **Average partnership length of ~6 years**
- **Significant progress on multiple strategic health system initiatives in 2016**
- **Enhanced executive leadership focused on comprehensive partnerships**

# LABCORP DIAGNOSTICS HIGHLIGHT

## Acquiring Pathology Associates Medical Laboratories (PAML) from Providence Health & Services and Catholic Health Initiatives

- LabCorp will provide outreach testing and reference laboratory services
- Strengthens relationships with anchor health systems
- Increases engagement with multiple community-based hospitals
- Expands geographic presence into important markets
- Transaction closings expected to begin in 2017 and continue into 2018
- Meets stated financial criteria



**Shared vision and commitment  
to provide high-quality,  
community-based  
laboratory services**

# LABCORP DIAGNOSTICS HIGHLIGHT

## Acquiring Assets of Mount Sinai Health System Clinical Outreach Laboratories

- **LabCorp will provide comprehensive laboratory services**
- **Exploring opportunities to collaborate on companion diagnostics, clinical trials and medical education**
- **LabCorp's differentiators include:**
  - **Access to clinical trials and research through Covance Drug Development**
  - **Enhanced IT and data analytics**
  - **Standardized testing platforms**
- **Meets stated financial criteria**

***"[LabCorp's] unparalleled reputation and success ensure our patients will continue to have access to high-quality, high-value and convenient testing services."** <sup>1</sup>*

***"LabCorp's proven track record of service excellence, breadth of diagnostic capabilities, and cost-efficiency will benefit our community now and in years to come."** <sup>2</sup>*







***"We are confident this transaction will provide great benefits for our patients and physicians and allow Mount Sinai to continue to invest in our core strategic programs."** <sup>2</sup>*

1. Quote attributed to Carlos Cordon-Cardo, MD, PhD, Irene Heinz Given and John LaPorte Given Professor and Chairman, Department of Pathology, Mount Sinai Health System  
2. Quote attributed to Donald Scanlon, Chief Financial Officer and Chief of Corporate Services, Mount Sinai Health System

# LABCORP DIAGNOSTICS HIGHLIGHT

## Continued Commitment to Technology Innovation to Deliver Improved Patient Care

- **Increased Patient Engagement**
  - Mobile-Friendly Patient Portal
  - Clinical Trial Patient Consents
  - Self Service Registration in 2017 (opportunity for clinical trial opt-ins)
- **Integrated Clinical Decision Support Capabilities**
  - LabCorp Link
  - LithoLink CDS Platform and Reports
  - UpToDate® Advisor
- **Enhanced Revenue Cycle Management Tools**
  - Nationwide Real-Time Eligibility Verification
  - Introduced Patient Responsibility Estimate (Price Transparency)

Your Test Results		
<div>WITHIN GOAL   BORDERLINE   OUT OF GOAL</div>		
Test	Your Results	Suggestions
 <b>Blood Lipids</b>		
<b>LDL CHOLESTEROL</b> is the bad cholesterol and can clog your arteries.	 <b>86</b> Ref. Range: 0 to 99 mg/dL	<b>YOUR LDL CHOLESTEROL IS NORMAL.</b> To keep it normal, remember to take any medications prescribed by your doctor. Your doctor may recommend even lower cholesterol levels to reduce your risk of heart disease. Weight loss, exercise (at least 30 minutes 5 times a week), a diet low in trans and saturated fats, and quitting smoking can keep cholesterol low.
 <b>Kidney Health</b>		
<b>eGFR</b> estimates how well your kidneys are filtering blood. The higher the number, the better your kidneys are working.	<b>19</b> Ref Range: >59 mL/min/1.73m <sup>2</sup>	<b>YOUR RESULT COULD MEAN YOU HAVE STAGE 4 CHRONIC KIDNEY DISEASE (CKD).</b> There are 5 stages of CKD. See below for more information.
<b>URINE PROTEIN : CREATININE RATIO</b> is a test that looks for protein in the urine, a sign of kidney damage. Higher amounts also put you at risk for heart disease and loss of kidney function. The lower the result, the better.	 <b>724</b> Ref. Range: 0 to 200 mg/g creat	<b>YOUR URINE PROTEIN IS VERY HIGH.</b> Controlling conditions like high blood pressure and diabetes can help to lower your urine albumin. Your doctor may change or increase your medicines to help treat these conditions. Remember to take all medicines prescribed by your doctor. Regular exercise, weight loss and quitting smoking can also help to improve urine protein.
<b>POTASSIUM</b> helps keep your heart and muscles working properly. High or low levels can be dangerous.	 <b>4.9</b> Ref. Range: 3.5 to 5.2 mmol/L	<b>YOUR POTASSIUM IS NORMAL.</b> To keep it in the normal range, make sure you avoid foods high in potassium. For more information, visit <a href="http://www.kidney.org/atoz/content/potassium.cfm">www.kidney.org/atoz/content/potassium.cfm</a> .
<b>PHOSPHORUS</b> works with calcium to build strong, healthy bones and keep the rest of the body healthy. Too much phosphorus can damage the heart and blood vessels.	 <b>3.5</b> Ref. Range: 2.5 to 4.5 mg/dL	<b>YOUR PHOSPHORUS IS NORMAL.</b> To keep it in the normal range, continue to avoid foods high in phosphorus. For more information, visit <a href="http://www.kidney.org/atoz/content/phosphorus.cfm">www.kidney.org/atoz/content/phosphorus.cfm</a> . Also remember to take your medicines as prescribed by your doctor.



# COVANCE DRUG DEVELOPMENT HIGHLIGHT

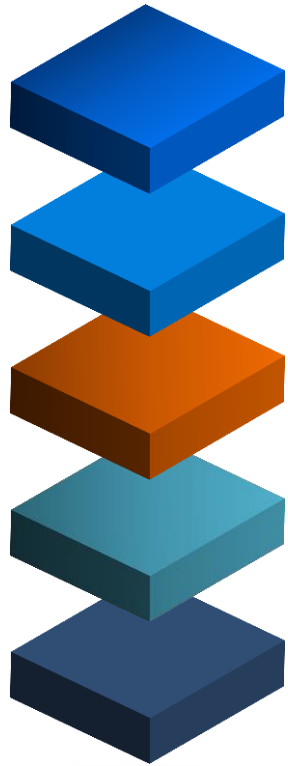
## Novel Drug Development Solutions Drive Growth and Loyalty

### Solution

- Integrated LabCorp Diagnostics' specialty test menu into global central laboratory services
- Leveraged the Xcellerate informatics platform to optimize and execute an enrollment strategy for 12,000-patient Cardiovascular Outcomes trial
- Developed a "One Stop" laboratory solution that manages all internal and external lab vendors
- Early Phase Development Solutions (EPDS) available from pre-Clinical Lead Optimization through Clinical Proof of Concept with consistent and focused project team

### Result

- **Nearly 10x increase** in number of complex tests referred from Covance to LabCorp
- Enrollment for this 600 site, 37 country study was **completed 5 months ahead of original stretch goal**
- Executed **two multi-year sole source agreements** with top 20 pharmaceutical companies
- Through EPDS, worked with **over 50 companies** worldwide in pre-clinical, early clinical or both stages of development



**Company Overview**

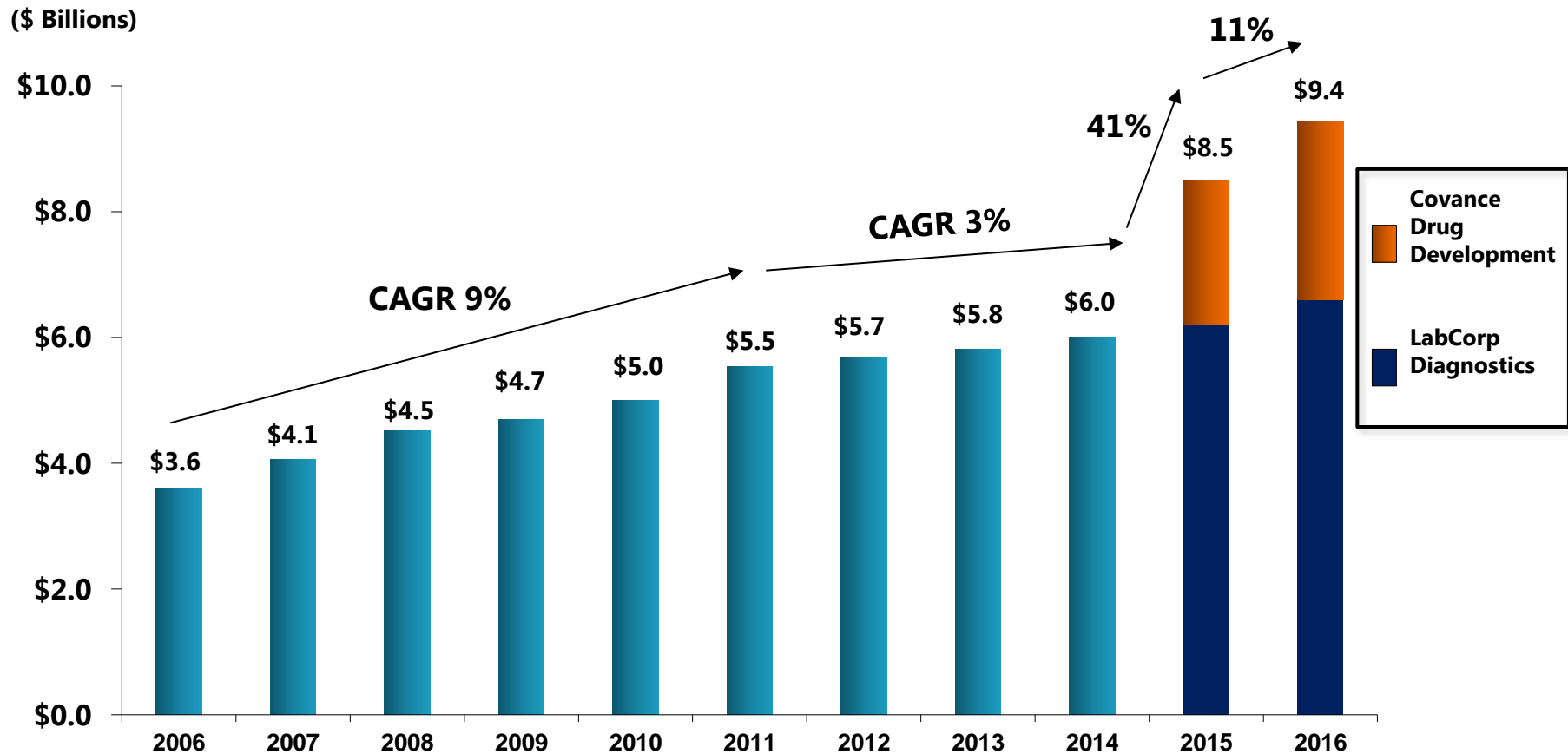
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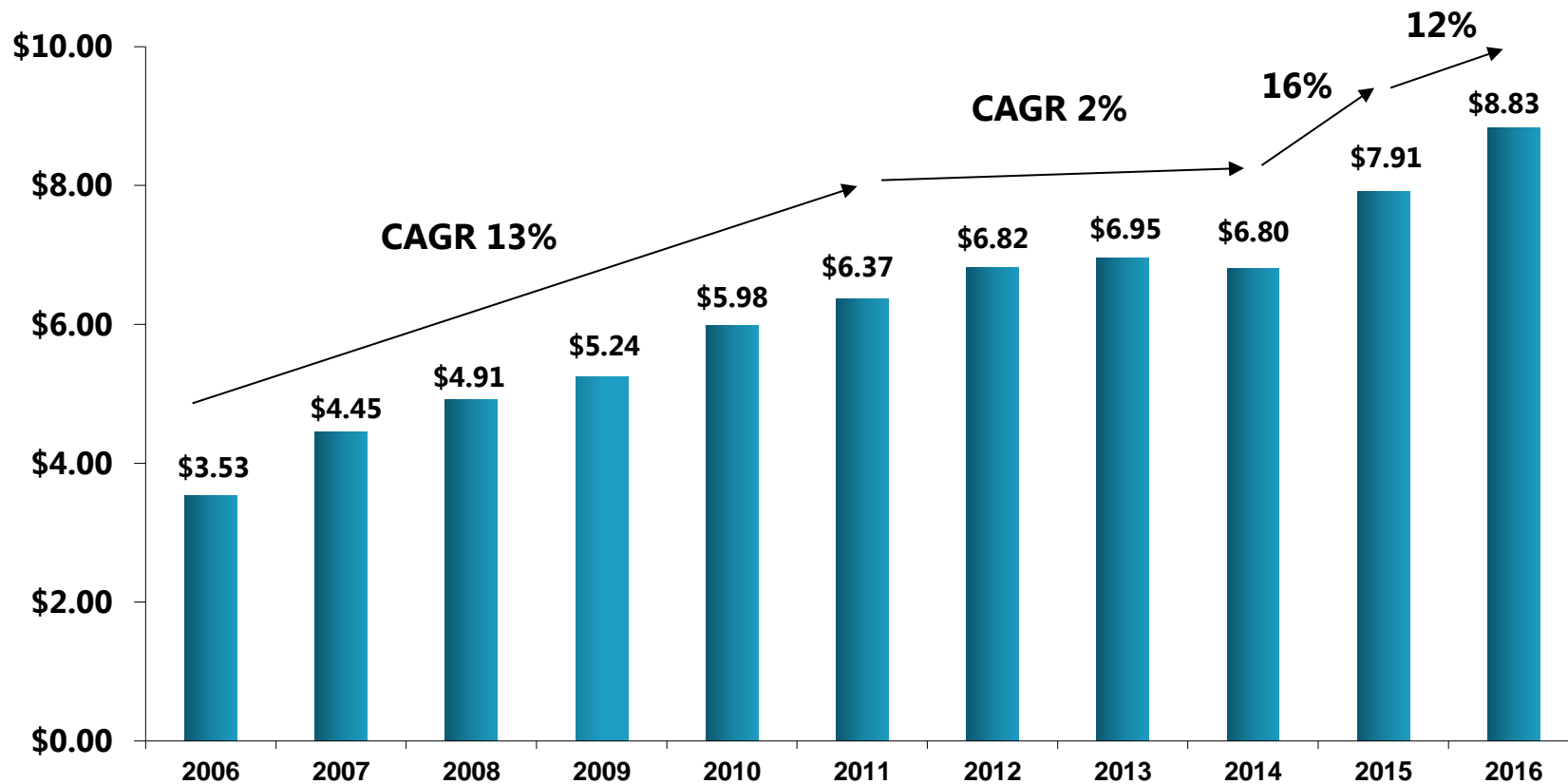
**2017 Priorities**

# LONG-TERM REVENUE GROWTH<sup>1</sup>



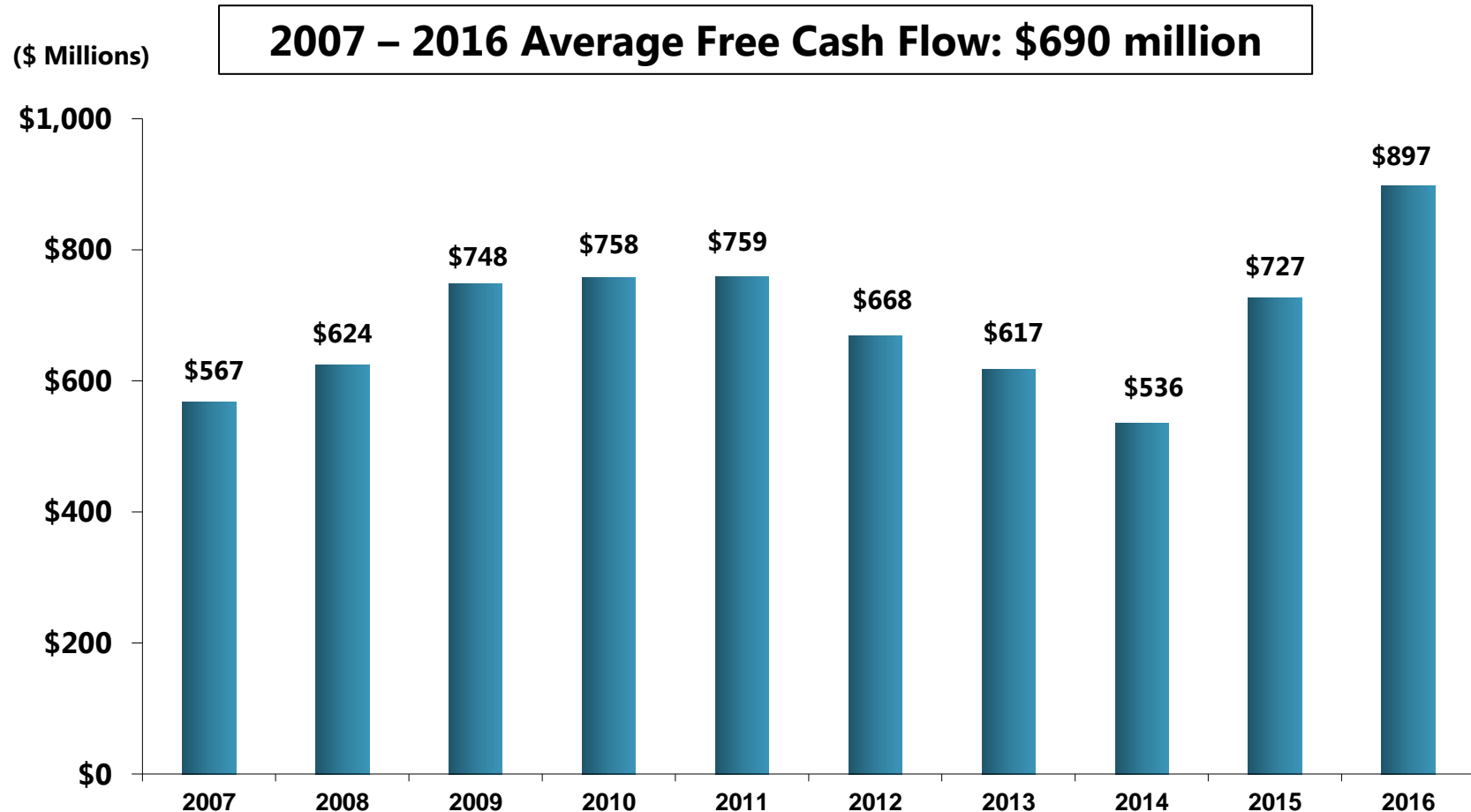
1. 2006-2014 revenue excludes Covance results. 2008 revenue includes a \$7.5 million adjustment relating to certain historic overpayments made by Medicare for claims submitted by a subsidiary of the Company

# LONG-TERM ADJUSTED EPS GROWTH<sup>1,2</sup>



1. EPS, as presented, represents adjusted, non-GAAP financial measures (excludes amortization, restructuring and other special charges). Diluted EPS, as reported in the Company's Annual Report were: \$2.71 in 2005; \$3.24 in 2006; \$3.93 in 2007; \$4.16 in 2008; \$4.98 in 2009; \$5.29 in 2010; \$5.11 in 2011; \$5.99 in 2012; \$6.25 in 2013; \$5.91 in 2014; \$4.34 in 2015; and \$7.02 in 2016
2. 2006-2014 figures exclude Covance results, and other items discussed in the Appendix

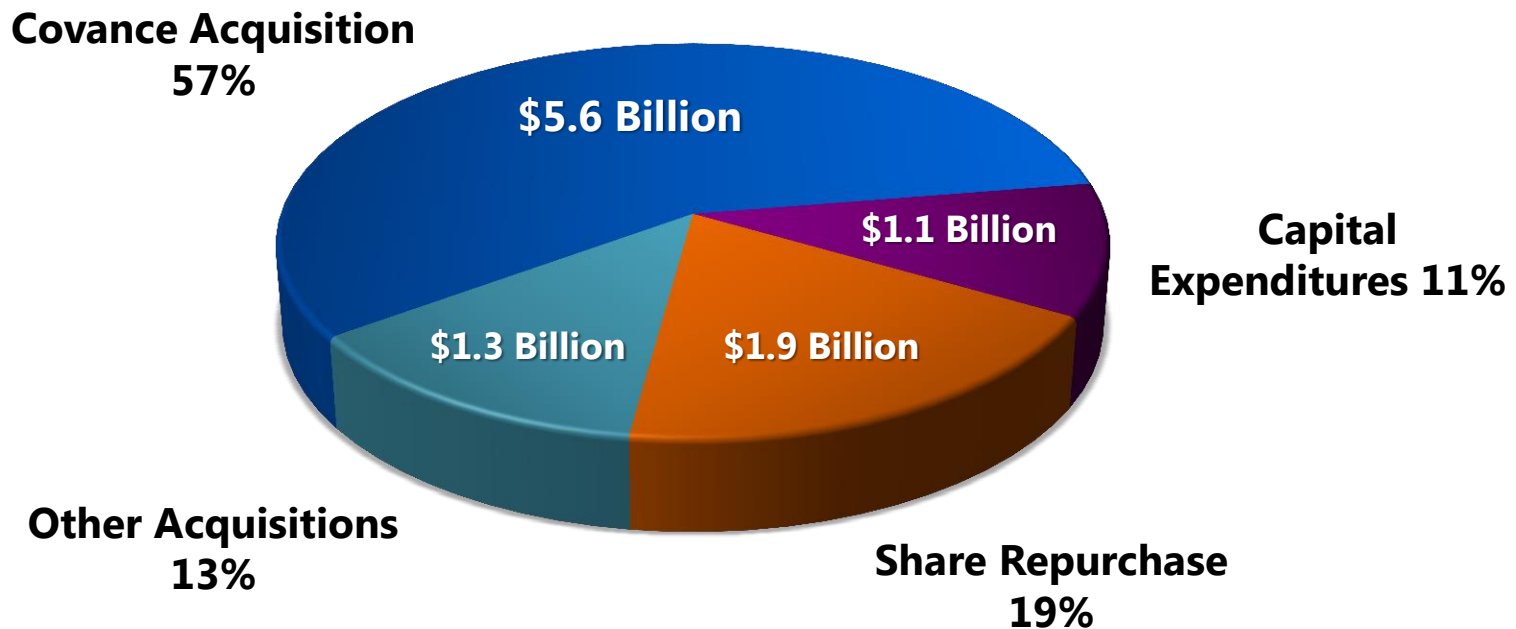
# FREE CASH FLOW<sup>1,2</sup>

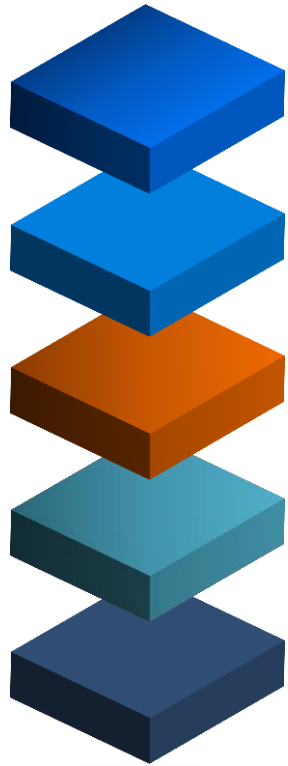


1. 2006-2014 figures exclude Covance results
2. Operating Cash Flow and Free Cash Flow in 2011 excludes the \$49.5 million Hunter Labs settlement

# EFFECTIVE CAPITAL DEPLOYMENT TO BUILD SHAREHOLDER VALUE

**Approximately \$9.9 Billion in Capital Deployment  
Between 2012 and 2016**





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## 2017 STRATEGIC PRIORITIES

**Solution  
Focus**

**Fully-  
Integrated  
Organization**

**Return of  
Capital to  
Shareholders -  
Reinitiated Share  
Repurchases**



# OUR PURPOSE FOR CREATING A WORLD LEADING LIFE SCIENCES COMPANY

## The Combination of Covance and LabCorp will:

- **Accelerate long-term profitable growth through expanded market opportunities**
- **Commercialize new business models in clinical care and research settings**
- **Increase shareholder value, including return of capital**
- **Continue to enhance capabilities that guide patient care, fulfilling our mission of improving health and improving lives**





**LH**  
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## RAYMOND JAMES INSTITUTIONAL INVESTORS CONFERENCE

MARCH 7, 2017 | ORLANDO, FL

# APPENDIX

# FULL YEAR PRO FORMA SEGMENT RESULTS<sup>1</sup>

(DOLLARS IN MILLIONS)

Pro forma results assume that the acquisition of Covance closed on January 1, 2015

	<u>Twelve Months Ended 12/31/16</u>	<u>Twelve Months Ended 12/31/15</u>	<u>% Change</u>
<b>Net Revenue</b>			
LabCorp Diagnostics	\$6,593.9	\$6,210.6	6.2%
Covance Drug Development <sup>(2)</sup>	\$2,842.2	\$2,628.7	8.1%
Total Net Revenue <sup>(2)</sup>	\$9,435.6	\$8,839.3	6.7%
<b>Adjusted Operating Income<sup>(3) (4)</sup></b>			
LabCorp Diagnostics	\$1,322.9	\$1,234.0	7.2%
Adjusted Operating Margin	20.1%	19.9%	20 bps
Covance Drug Development	\$412.7	\$371.2	11.2%
Adjusted Operating Margin	14.5%	14.1%	40 bps
Unallocated Corporate Expense	(\$145.4)	(\$134.0)	(8.5%)
<b>Total Adjusted Operating Income</b>	<b>\$1,590.2</b>	<b>\$1,471.2</b>	<b>8.1%</b>
Total Adjusted Operating Margin	16.9%	16.6%	30 bps

(1) The consolidated net revenue and adjusted operating income are presented net of inter-segment transaction eliminations

(2) Covance Drug Development's results exclude the impact from the wind-down of operations relating to a committed minimum volume contract that expired on October 31, 2015

(3) Adjusted Operating Income excludes amortization, restructuring charges and special items

(4) See Reconciliation of non-GAAP Financial Measures in Appendix



# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following consolidated results include Covance as of February 19, 2015; prior to February 19, 2015, all consolidated results exclude Covance

## LABORATORY CORPORATION OF AMERICA HOLDINGS

### Reconciliation of Non-GAAP Financial Measures

(in millions, except per share data)

	Twelve Months Ended December 31,	
	2016	2015
<b><u>Adjusted Operating Income</u></b>		
Operating Income	\$ 1,312.4	\$ 996.8
Acquisition-related costs	18.4	119.1
Restructuring and other special charges	58.4	113.9
Consulting fees and executive transition expenses	9.3	25.6
Settlement costs	-	12.2
Wind-down of minimum volume contract operations	4.6	5.7
LaunchPad system implementation costs	7.6	3.0
Amortization of intangibles and other assets	179.5	164.5
Adjusted operating income	<u>\$ 1,590.2</u>	<u>\$ 1,440.8</u>
<b><u>Adjusted EPS</u></b>		
Diluted earnings per common share	\$ 7.02	\$ 4.35
Restructuring and special items	0.64	2.44
Amortization expense	1.17	1.12
Adjusted EPS	<u>\$ 8.83</u>	<u>\$ 7.91</u>

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The following consolidated results include Covance as of February 19, 2015; prior to February 19, 2015, all consolidated results exclude Covance

## LABORATORY CORPORATION OF AMERICA HOLDINGS

### Reconciliation of Non-GAAP Financial Measures

(in millions, except per share data)

	Twelve Months Ended December 31,	
	2016	2015
<b><u>Free Cash Flow:</u></b>		
Net cash provided by operating activities	\$ 1,175.9	\$ 982.4
Less: Capital expenditures	(278.9)	(255.8)
Free cash flow	<u>\$ 897.0</u>	<u>\$ 726.6</u>

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – FOOTNOTES

- 1) During the fourth quarter of 2016, the Company recorded net restructuring charges and special items of \$9.8 million. The charges included \$8.1 million in severance and other personnel costs along with \$2.8 million in facility-related costs associated with facility closures and general integration initiatives. The Company reversed previously established reserves of \$0.1 in unused personnel-related reserves and \$1.0 million in unused facility-related costs. The Company incurred \$0.6 million in fees and expenses associated with acquisitions completed during the quarter and incurred additional legal and other costs of \$0.6 million relating to the wind-down of its minimum volume contract operations. The Company also recorded \$2.5 million in consulting expenses relating to fees incurred as part of its Covance integration costs and compensation analysis, along with \$0.2 million in short-term equity retention arrangements relating to the acquisition of Covance and \$1.4 million of accelerated equity and other final compensation relating to executive transition announced during the third quarter and incurred \$0.5 million of non-capitalized costs associated with the implementation of a major system as part of its LaunchPad business process improvement initiative (all recorded in selling, general and administrative expenses). The Company also recorded a \$3.6 million gain on sale of certain assets held for sale. The after tax impact of these net charges decreased net earnings for the quarter ended December 31, 2016, by \$8.3 million and diluted earnings per share by \$0.08 (\$8.3 million divided by 105.1 million shares).

During the first three quarters of 2016, the Company recorded net restructuring charges and other special charges of \$48.6 million. The charges included \$23.1 million in severance and other personnel costs along with \$30.7 million in facility-related costs associated with facility closures and general integration initiatives. The Company reversed previously established reserves of \$2.5 million in unused facility-related costs and \$2.7 million in unused severance reserves. The Company incurred \$7.4 million in fees and expenses associated with completed acquisitions and incurred additional legal and other costs of \$4.0 million relating to the wind-down of its minimum volume contract operations. The Company also recorded \$4.4 million in consulting expenses relating to fees incurred as part of its Covance integration costs and compensation analysis, along with \$2.3 million in short-term equity retention arrangements relating to the acquisition of Covance and \$7.5 million of accelerated equity compensation relating to the announced retirement of a Company executive and incurred \$8.5 million of non-capitalized costs associated with the implementation of a major system as part of its LaunchPad business process improvement initiative (all recorded in selling, general and administrative expenses). The Company also incurred \$5.6 million of interest expense relating to the early retirement of subsidiary indebtedness acquired as part of its acquisition of Sequenom. In conjunction with certain international legal entity tax structuring, the Company recorded a one-time tax liability of \$1.1 million.

The after tax impact of these net charges decreased net earnings for the year ended December 31, 2016, by \$66.3 million and diluted earnings per share by \$0.64 (\$66.3 million divided by 104.3 million shares).

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – FOOTNOTES

- 2) During the fourth quarter of 2015, the Company recorded net restructuring charges and special items of \$54.0 million. The charges included \$25.3 million in severance and other personnel costs along with \$17.0 million in facility-related costs associated with facility closures and general integration initiatives. A substantial portion of these costs relates to the planned closure of two Covance Drug Development segment (“CDD”) operations that serviced a minimum volume contract that expired on October 31, 2015. In addition, the Company recorded asset impairments of \$11.9 million relating to CDD customer service applications that will no longer be used. The Company reversed previously established reserves of \$0.2 million in unused facility-related costs. The Company incurred additional legal and other costs of \$5.7 million relating to the wind-down of the minimum volume contract operations. The Company also recorded \$10.1 million in consulting expenses relating to fees incurred as part of its Covance integration costs and compensation analysis, along with \$1.1 million in short-term equity retention arrangements relating to the acquisition of Covance and \$0.3 million of accelerated equity compensation relating to the announced retirement of a Company executive (all recorded in selling, general and administrative expenses). During the fourth quarter, the Company paid \$12.2 million in settlement costs and litigation expenses related to the resolution of a federal court putative class action lawsuit. In addition, the Company incurred \$3.0 million of non-capitalized costs associated with the implementation of a major system as part of its LaunchPad business process improvement initiative. The after tax impact of these charges decreased net earnings for the quarter ended December 31, 2015, by \$63.2 million and diluted earnings per share by \$0.61 (\$63.2 million divided by 103.2 million shares).

During the first three quarters of 2015, the Company recorded net restructuring charges and other special charges of \$59.9 million. The charges included \$33.9 million in severance and other personnel costs along with \$12.1 million in costs associated with facility closures and general integration initiatives. The Company reversed previously established reserves of \$0.9 million in unused facility-related costs. In addition, the Company recorded asset impairments of \$14.8 million relating to lab and customer service applications that will no longer be used. The Company also recorded \$15.3 million of consulting expenses relating to fees incurred as part of its LaunchPad initiative as well as Covance integration costs, along with \$4.3 million in short-term equity retention arrangements relating to the acquisition of Covance (all recorded in selling, general and administrative expenses). In addition, the Company recorded a non-cash loss of \$2.3 million, upon the dissolution of one of its equity investments (recorded in other, net in the accompanying Consolidated Statements of Operations).

During the first quarter of 2015, the Company recorded \$166.0 million of one-time costs associated with its acquisition of Covance. The costs included \$79.5 million of Covance employee equity awards, change in control payments and short-term retention arrangements that were accelerated or triggered by the acquisition transaction (recorded in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations). The acquisition costs also included advisor and legal fees of \$33.9 million (recorded in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations), \$15.2 million of deferred financing fees associated with the Company’s bridge loan facility as well as a make-whole payment of \$37.4 million paid to call Covance’s private placement debt outstanding at the purchase date (both amounts recorded in interest expense in the accompanying Consolidated Statements of Operations).

The after tax impact of these charges decreased net earnings for the twelve months ended December 31, 2015, by \$245.7 million and diluted earnings per share by \$2.44 (\$245.7 million divided by 100.6 million shares).



# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – FOOTNOTES

- 3) The Company continues to grow the business through acquisitions and uses Adjusted EPS excluding amortization as a measure of operational performance, growth and shareholder returns. The Company believes adjusting EPS for amortization provides investors with better insight into the operating performance of the business. For the quarters ended December 31, 2016 and 2015, intangible amortization was \$48.8 million and \$43.9 million, respectively (\$33.2 million and \$28.4 million net of tax, respectively) and decreased EPS by \$0.32 (\$33.2 million divided by 105.1 million shares) and \$0.30 (\$30.8 million divided by 103.2 million shares), respectively. For the years ended December 31, 2016 and 2015, intangible amortization was \$179.5 million and \$164.5 million, respectively (\$122.5 million and \$113.0 million net of tax, respectively) and decreased EPS by \$1.17 (\$122.5 million divided by 104.3 million shares) and \$1.12 (\$113.0 million divided by 100.6 million shares), respectively.

## FOOTNOTES TO “LONG-TERM ADJUSTED EPS GROWTH” SLIDE

- (1) EPS, as presented, represents adjusted, non-GAAP financial measures (excludes amortization, restructuring and other special charges). Diluted EPS, as reported in the Company's Annual Report were: \$2.71 in 2005; \$3.24 in 2006; \$3.93 in 2007; \$4.16 in 2008; \$4.98 in 2009; \$5.29 in 2010; \$5.11 in 2011; \$5.99 in 2012; \$6.25 in 2013; \$5.91 in 2014; \$4.35 in 2015; and \$7.02 in 2016.
- (2) 2005-2014 figures exclude Covance results. Excluding the \$0.09 per diluted share impact of restructuring and other special charges and the \$0.21 per diluted share impact from amortization in 2005; excluding the \$0.06 per diluted share impact of restructuring and other special charges and the \$0.23 per diluted share impact from amortization in 2006; excluding the \$0.25 per diluted share impact of restructuring and other special charges and the \$0.27 per diluted share impact from amortization in 2007; excluding the \$0.44 per diluted share impact of restructuring and other special charges and the \$0.31 per diluted share impact from amortization in 2008; excluding the (\$0.09) per diluted share impact of restructuring and other special charges and the \$0.35 per diluted share impact from amortization in 2009; excluding the \$0.26 per diluted share impact of restructuring and other special charges and the \$0.43 per diluted share impact from amortization in 2010; excluding the \$0.72 per diluted share impact of restructuring and other special charges, the \$0.03 per diluted share impact from a loss on the divestiture of assets and the \$0.51 per diluted share impact from amortization in 2011; excluding the \$0.29 per diluted share impact of restructuring and other special charges and the \$0.54 per diluted share impact from amortization in 2012; excluding the \$0.15 per diluted share impact of restructuring and other special charges and the \$0.55 per diluted share impact from amortization in 2013; excluding the \$0.34 per diluted share impact of restructuring and other special charges and the \$0.55 per diluted share impact from amortization in 2014; excluding the \$2.44 per diluted share impact of restructuring and other special charges and the \$1.12 per diluted share impact from amortization in 2015; and excluding the \$0.64 per diluted share impact of restructuring and other special charges and the \$1.17 per diluted share impact from amortization in 2016.