



***Covance Inc.***  
***NYSE : CVD***

**Joe Herring**  
Chairman and CEO

January 11, 2012

**COVANCE.**



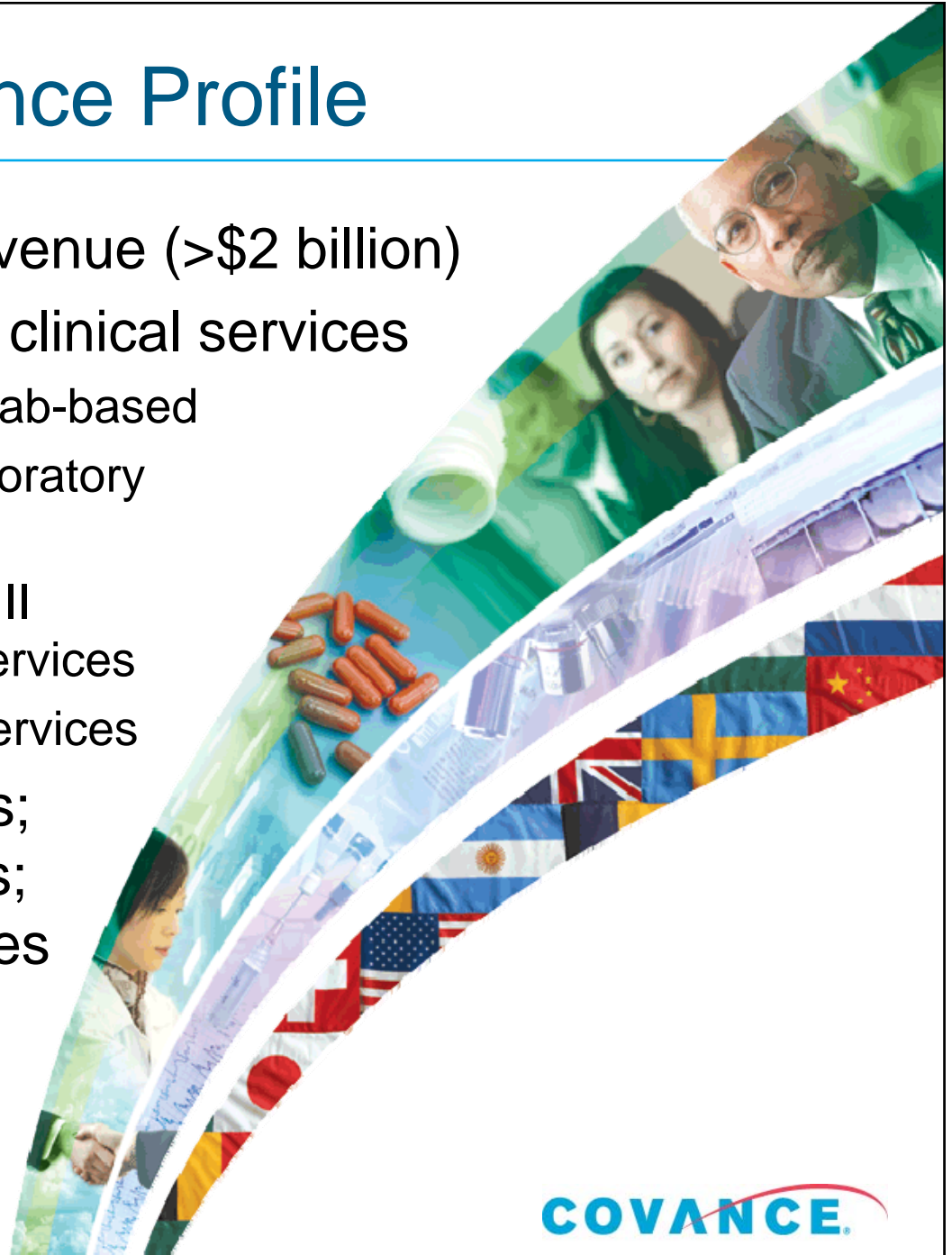
# Safe Harbor

---

*Statements contained in this press release, which are not historical facts, such as statements about prospective earnings, savings, revenue, operations, revenue and earnings growth and other financial results are forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All such forward-looking statements including the statements contained herein regarding anticipated trends in the Company's business are based largely on management's expectations and are subject to and qualified by risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. These risks and uncertainties include, without limitation, competitive factors, outsourcing trends in the pharmaceutical industry, levels of industry research and development spending, the Company's ability to continue to attract and retain qualified personnel, the fixed price nature of contracts or the loss or delay of large studies, risks associated with acquisitions and investments, the Company's ability to increase order volume, the pace of translation of orders into revenue in late-stage development services, testing mix and geographic mix of kit receipts in central laboratories, fluctuations in currency exchange rates, and other factors described in the Company's filings with the Securities and Exchange Commission including its Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The Company undertakes no duty to update any forward looking statement to conform the statement to actual results or changes in the Company's expectations.*

# Covance Profile

- Largest public CRO by revenue (>\$2 billion)
- Significant preclinical and clinical services
  - Revenue is uniquely 2/3<sup>rd</sup>s lab-based
  - Market leader in central laboratory and toxicology services
  - Top five provider of Phase III clinical trial management services
  - Expansion into discovery services
- Operations in 30 countries; employees in 60 countries; trial activity in 100 countries
- >11,000 employees



# Only CRO with Full-Range of R&D Services

Pharmaceutical/Biotechnology Research & Development

Discovery

Drug Safety  
(IND)

Efficacy  
(NDA)

Approval



**COVANCE**

# Diversified Revenue Base

---

## 2011 Distribution of Revenues

(through 9/30)

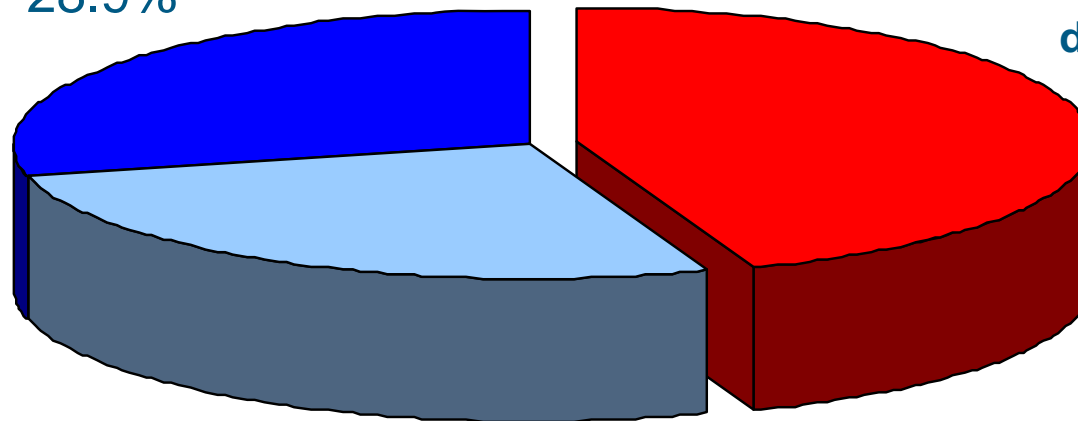
**\*Central Laboratory**

28.9%

**Early Development**

(toxicology, chemistry,  
clinical pharmacology,  
research products,  
discovery services)

44.5%

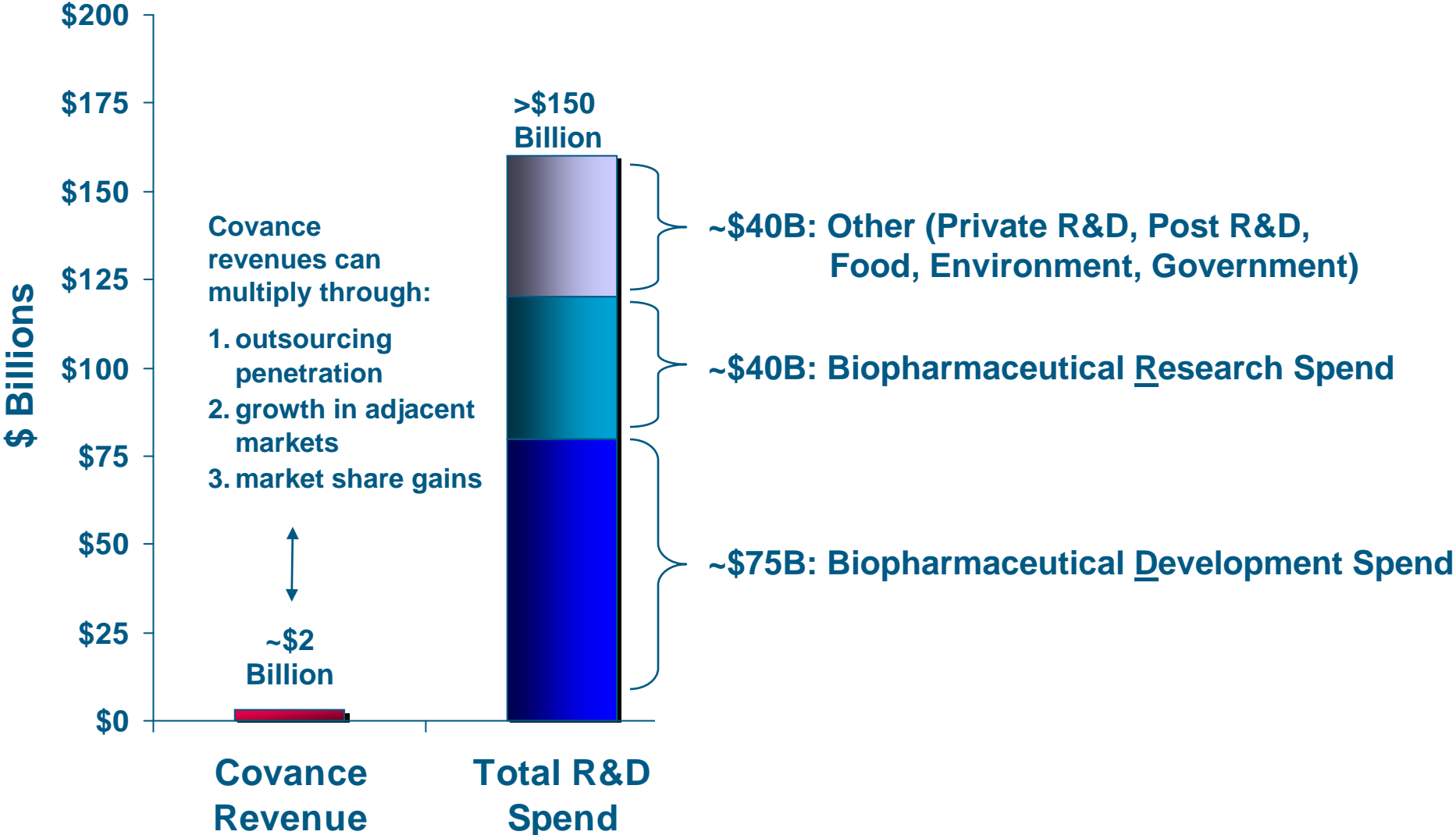


**\*Phase II-IV Clinical  
Development and other**

26.6%

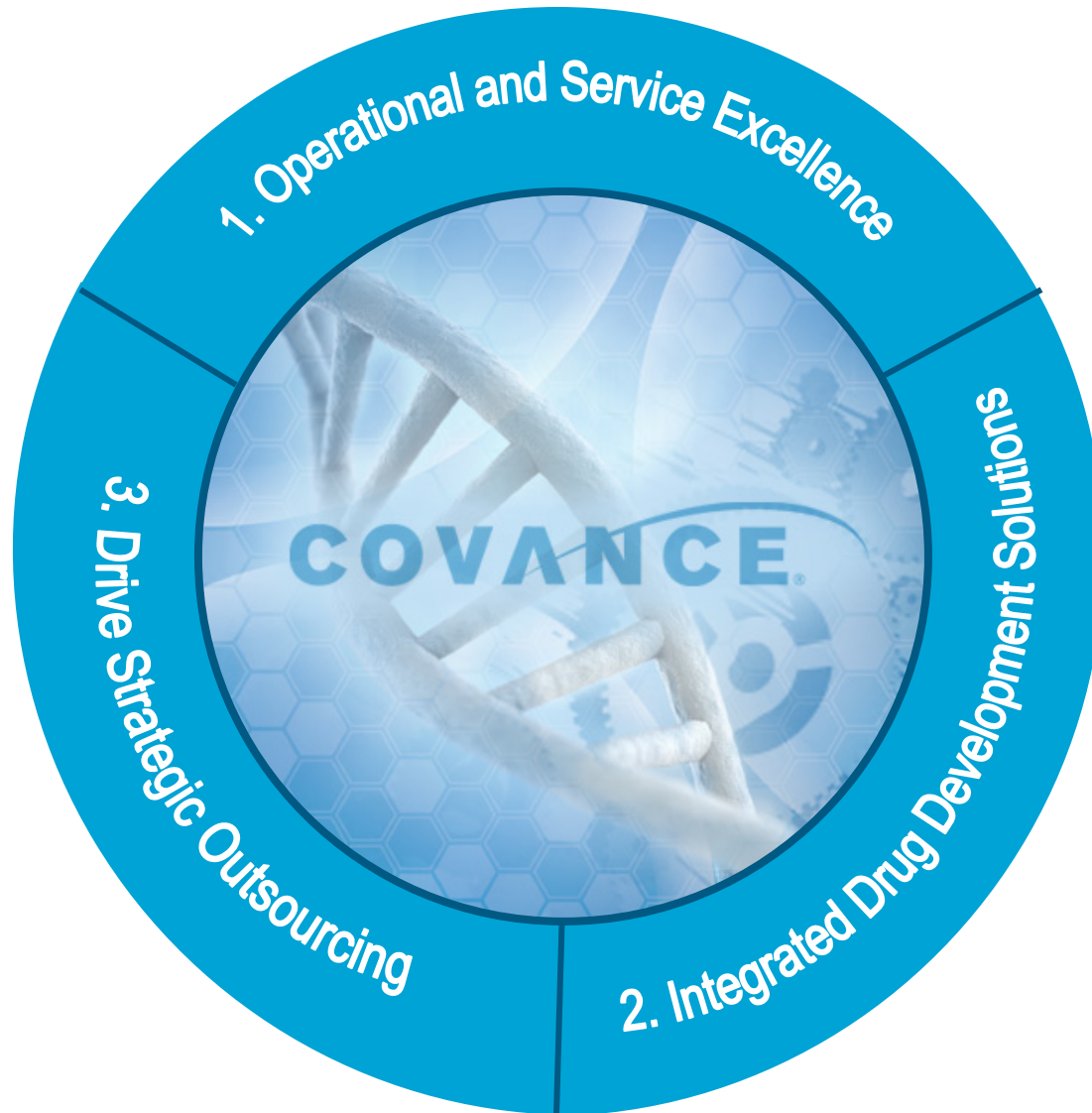
**\* 55.5% Late-Stage  
Development**

# Markets We Serve = \$150 Billion



# Covance Core Strategies

---



# 1. Operational and Service Excellence



- **People:** Talent attraction and retention rates at historic highs
- **Process:** Hundreds of Six Sigma projects annually; IT automation
- **Clients:** Backlog and client satisfaction at historic highs

## Independent Surveys\* Rank Covance Most Preferred CRO

---

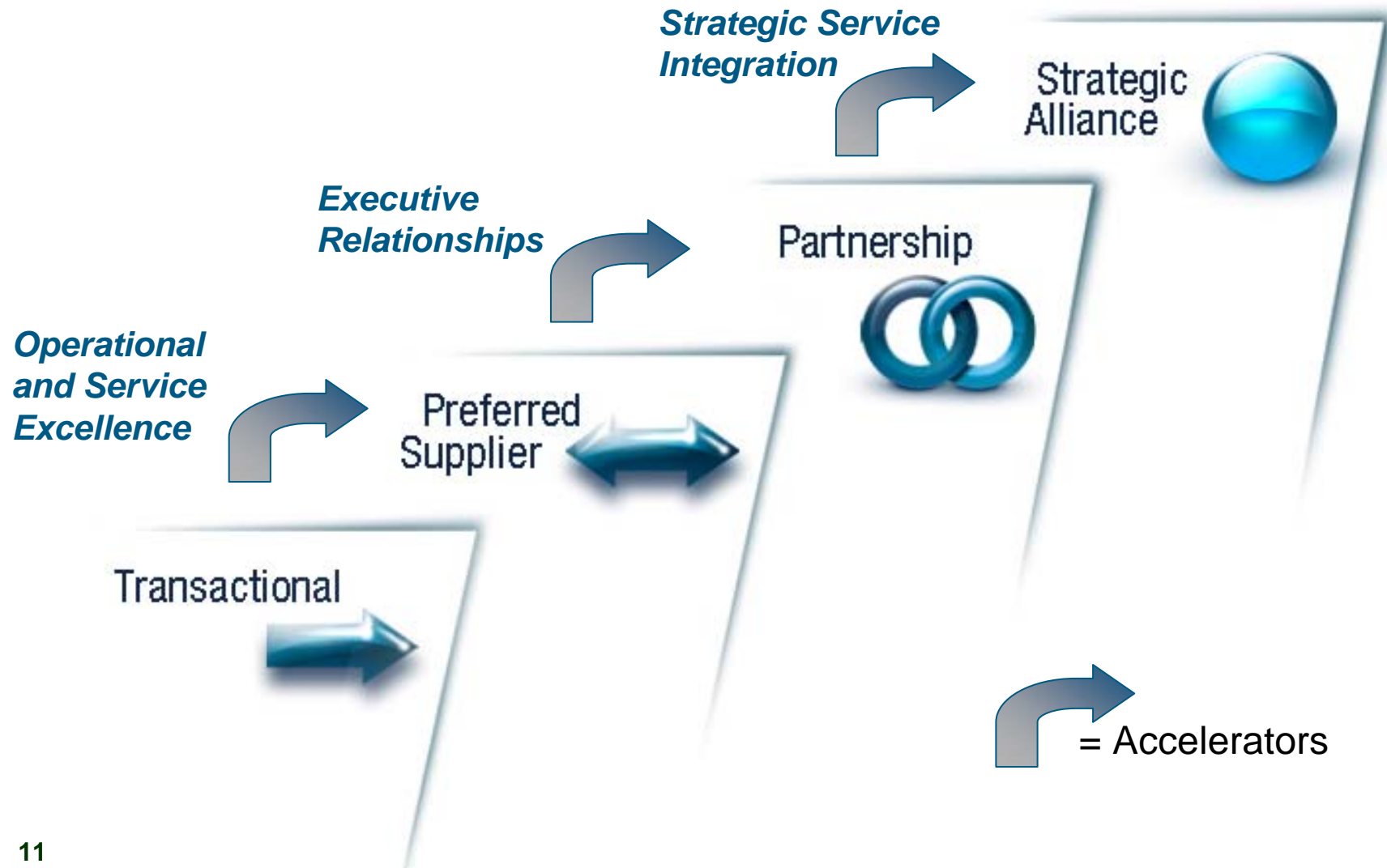
- More sponsors “would like to work with Covance” than any other CRO, by a wide margin
  - 62% vs. second CRO at 37%; N = 164  
Baird Equity Research (9/29/11)
- Covance cited by clients as CRO “best-positioned” for discovery, preclinical, and clinical work; N = 174  
William Blair Equity Research (10/14/11)
- Covance Central Laboratory Services named most preferred lab by investigators, by a wide margin
  - 54% vs. 18% and 9% for next two preferred; N= 514  
Life Science Strategy Group (10/25/11)

\*The reports above are provided solely to evidence the statement in our third quarter investor conference regarding market research surveys and our inclusion of these links in no way implies, and Covance expressly disclaims, any endorsement or agreement with any statements, claims or estimates in such surveys or websites including without limitation statements relating to investment ratings or revenue, earnings or other financial performance estimates.

## 2. Integrated Service Solutions



# 3. Drive Strategic Outsourcing



# Strategic Alliance with Eli Lilly

- 10 year, \$1.6 billion agreement beginning October 2008
  - ~\$60M/year for discovery service lines on Greenfield campus (non-GLP Toxicology, In Vivo Pharmacology, Non-clinical Imaging)
  - ~\$100M/year minimum commitment for traditional CRO services (Toxicology, Chemistry, Clinical Pharmacology, Central Labs, Phase II-IV)
- Greenfield campus: >750,000 sq ft of lab space
- >100 non-Lilly clients have placed work in Greenfield
- 260 employees transferred in Oct 2008; >550 today
- Added six service lines organically in Greenfield:
  - Specialty toxicology, nutritional chemistry/food safety, biomarkers, biorepository, biotechnology services, market access call center

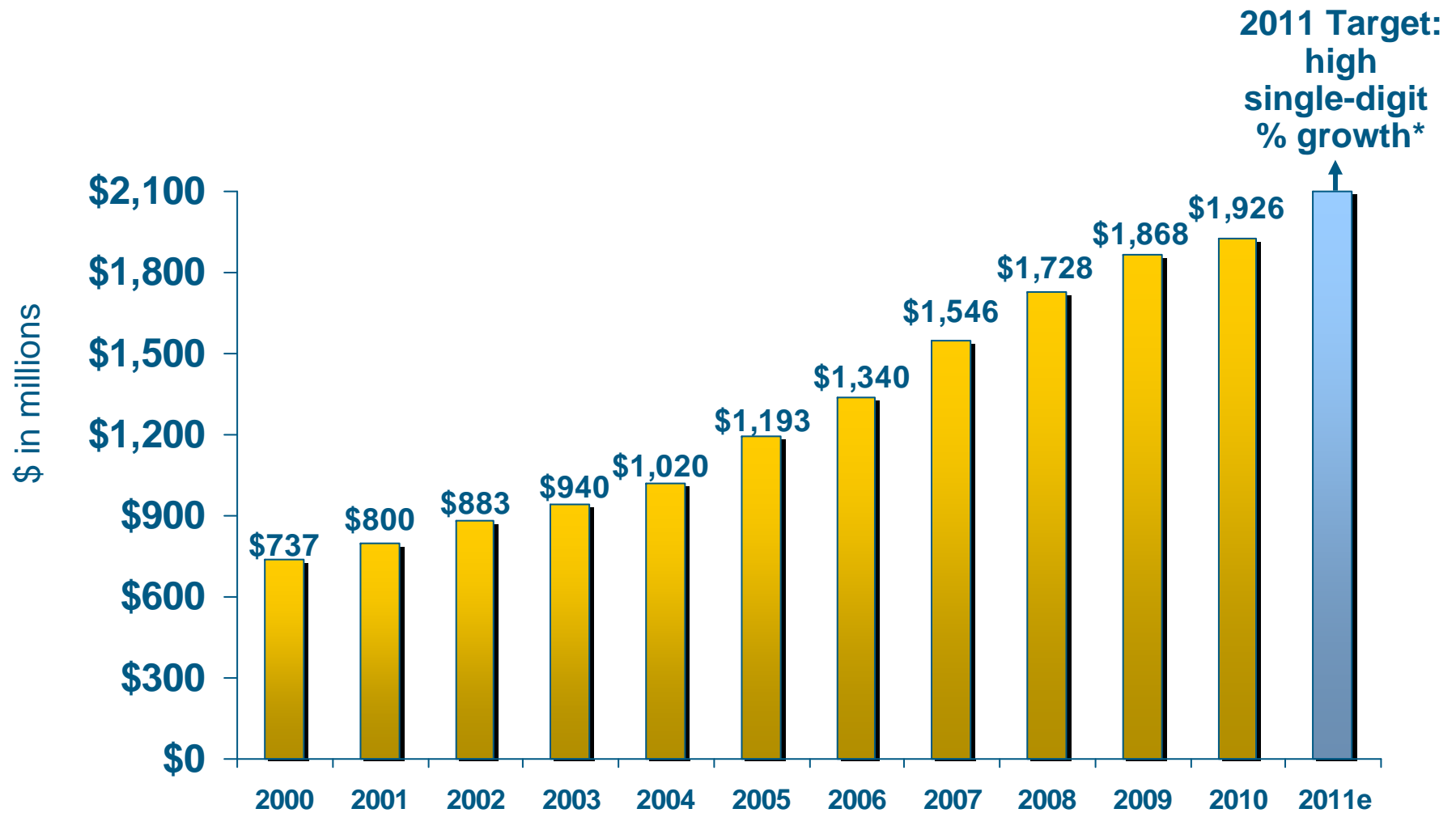


# Strategic Alliance with Sanofi

- 10-year, \$2.2 billion agreement beginning November 2010
  - \$350M for services on newly-acquired Alnwick, UK and Porcheville, France campuses
  - \$850M contractual minimum volume commitment for enterprise-wide services (discovery support, toxicology, chemistry, clinical Phase I-IV, central laboratory, market access)
  - Expected sole-source revenue (all services) above minimum: \$1.0B
- 4Q11: Expanded agreement to include certain subsidiaries
- New CMC services acquired in Alnwick and Porcheville:
  - Pre-formulation; drug formulation; preclinical and early-stage clinical API manufacturing; radiolabeled chemistry
- ~300 employees transferred to Covance
- Have quoted work for >100 other clients; performed work for >30

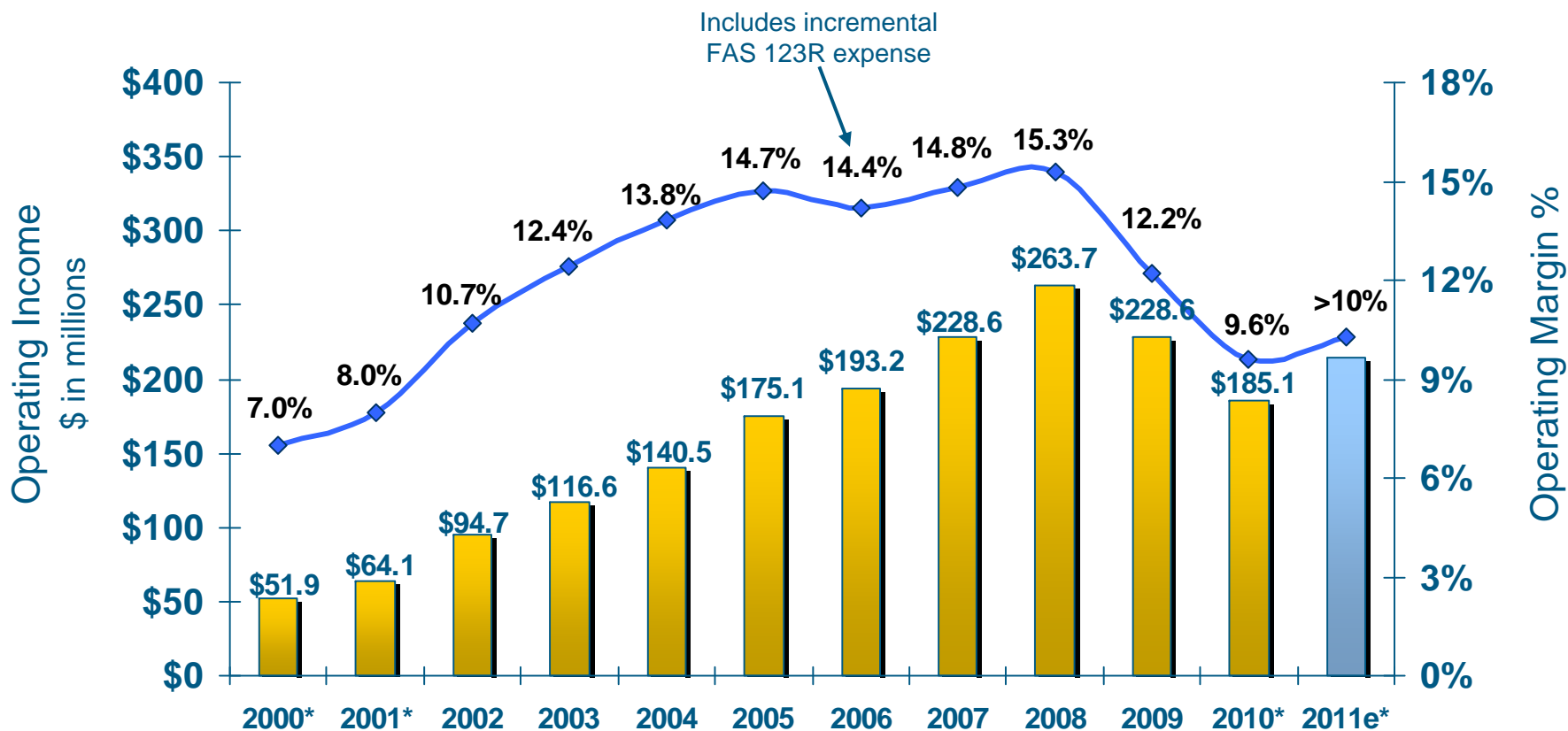


# Net Revenue



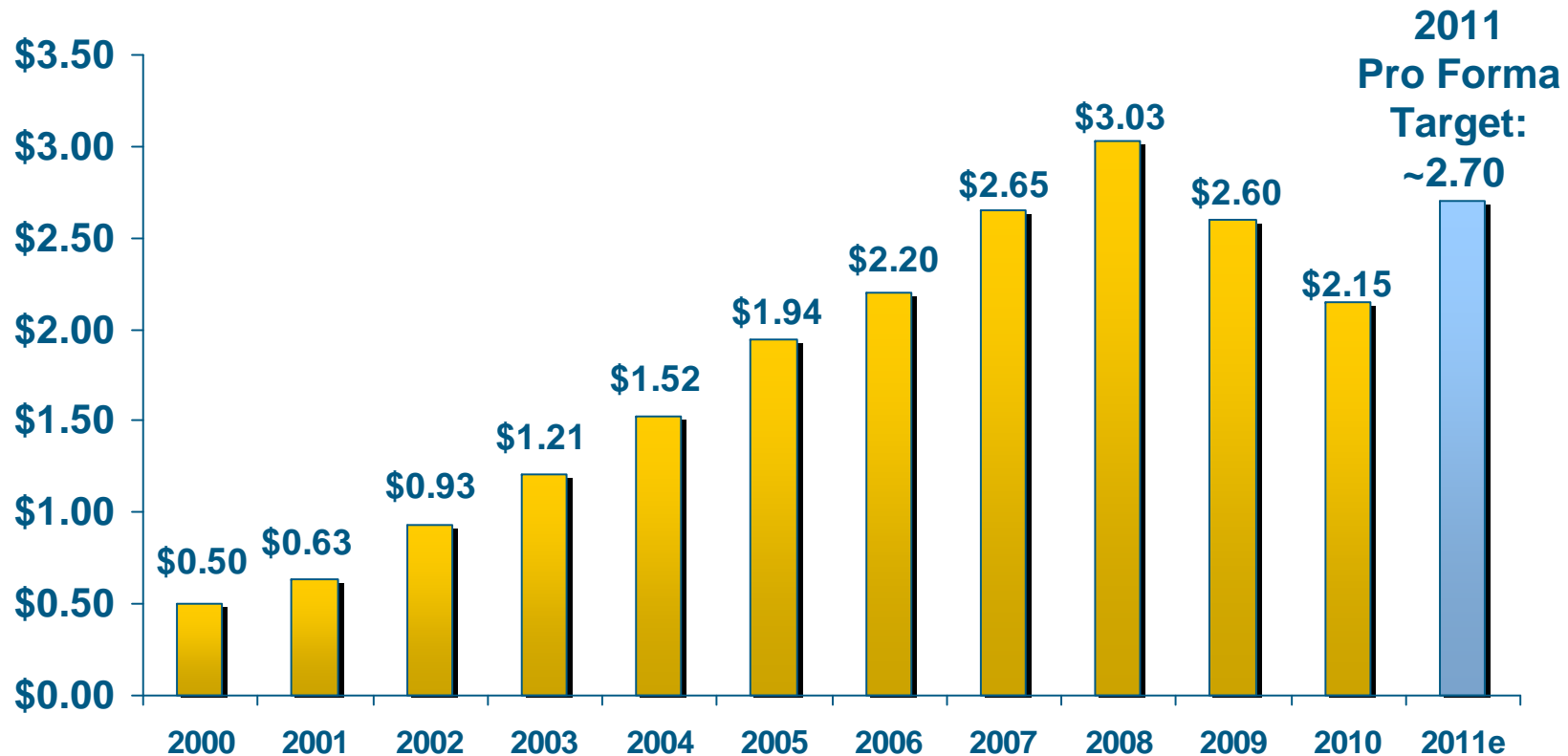
*\*As estimated by the Company in its 2Q11 earnings release dated 7/27/2011*

# Operating Income and OM%



\* All 2001 and 2000 are presented on a “pro forma” basis, excluding the financial impact of (a) the 2001 packaging and biomanufacturing divestitures; (b) goodwill amortization; and (c) special charges. 2010 and 2011 are presented on a “pro forma” basis excluding the financial impact of (a) impairment charge and (b) restructuring costs. See appendix for reconciliations.

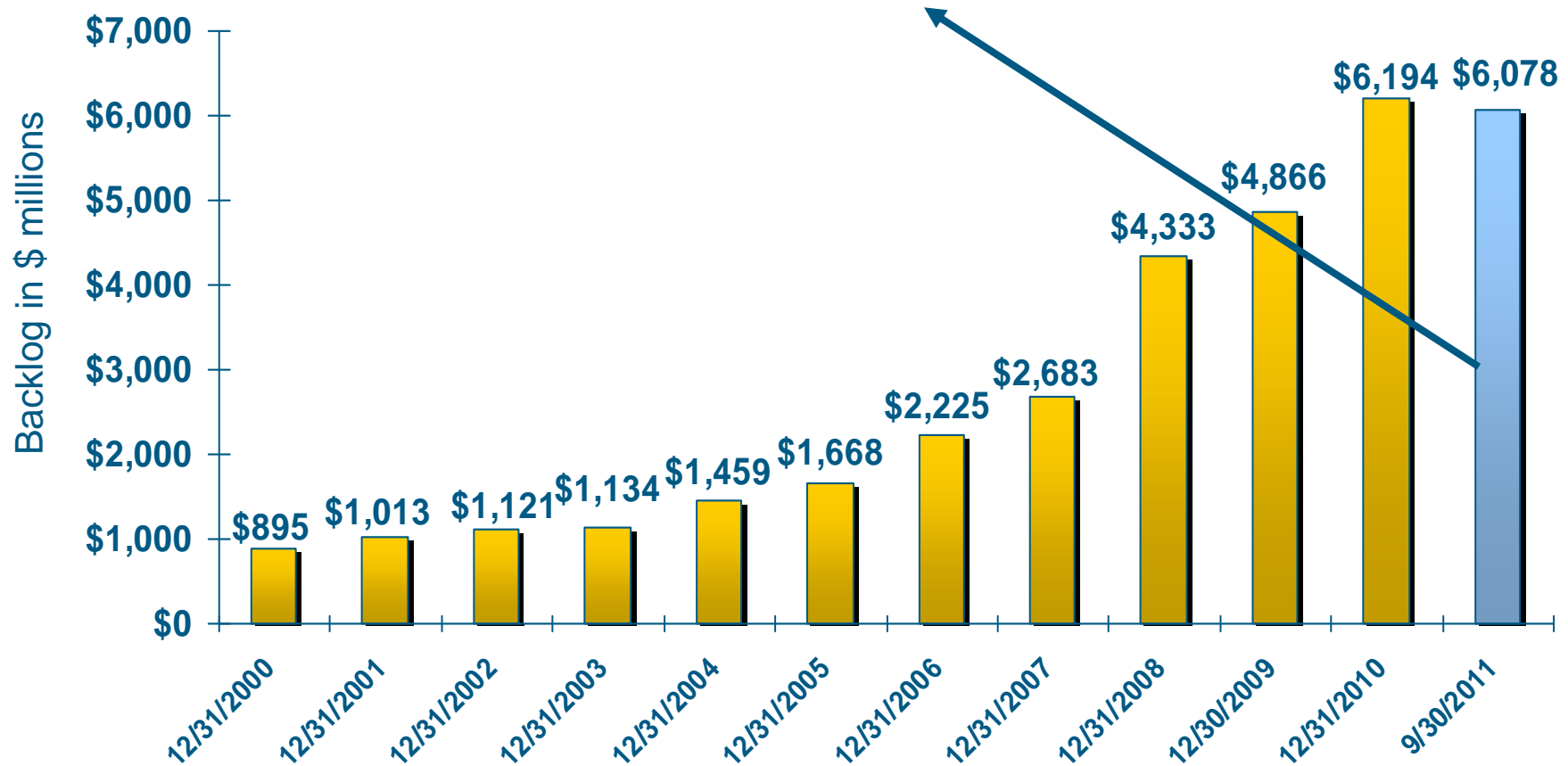
# Earnings Per Share\*



•2001 and 2000 amounts are presented on a “pro forma” basis, excluding the financial impact of the 2001 packaging and biomanufacturing divestitures. 2001 and 2000 also exclude amortization of goodwill and special charges. 2002 excludes \$6.5 million (\$0.11/share) favorable income tax reversal. 2005 excludes a one-time \$4.4 million (\$0.07/share) repatriation-related income tax charge. 2006 excludes a \$0.04 tax gain. 2007 excludes a gain on sale of \$4.1M, net of tax (\$0.06/share). 2008 excludes a gain on sale of \$2.6M, net of tax (\$0.04/share). 2009 excludes gain on sale and an income tax benefit from favorable resolution of certain income tax matters of \$2.1M (\$0.03/share). 2010 excludes impairment and restructuring charges totaling \$138M (\$1.36 per share) and favorable income tax items of \$17.3M (\$0.27/share). See appendix for reconciliations.

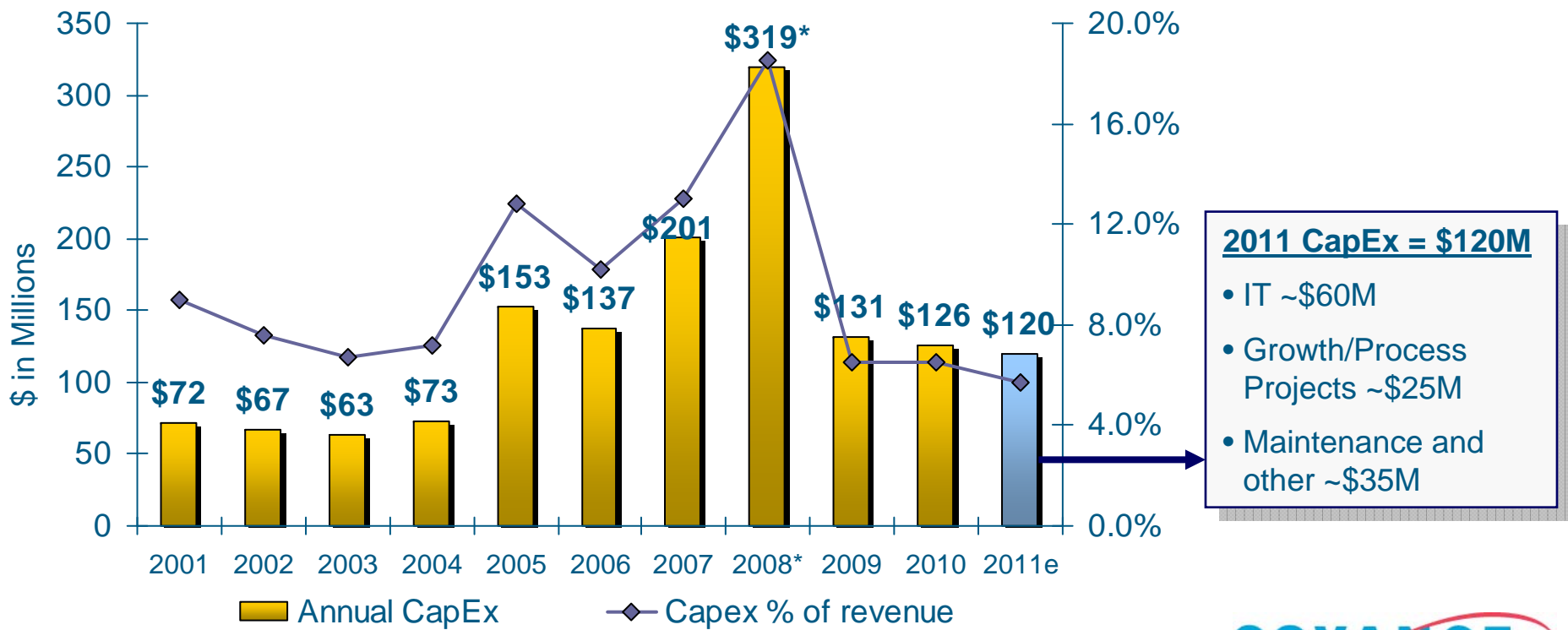
# Backlog

**~40% contains dedicated orders with a contractual minimum volume commitment**



# Balance Sheet, Cash Flow, and CapEx

- Balance Sheet
  - \$400 million cash balance (with \$90 million debt) at 9/30/11
- Free Cash Flow (Free cash flow is defined as cash from operations less capital spending)
  - FY2010 Free Cash Flow was \$208 million
  - 2011 through 9/30/11 Free Cash Flow was \$55 million



# Investment Summary

---

- Covance is well-positioned in dynamic and growing industry
- Unique, integrated drug development portfolio
  - Diversified revenue base and customer base
  - Industry leader in lab-based businesses
- Ability to grow through increased outsourcing penetration, market share gains, and entrance to adjacent markets
- Leader in creating true strategic partnerships with clients
- Financially strong and investing for the future
- Revenue growth, lower cost structure, and continued process efficiencies to drive long-term EPS growth

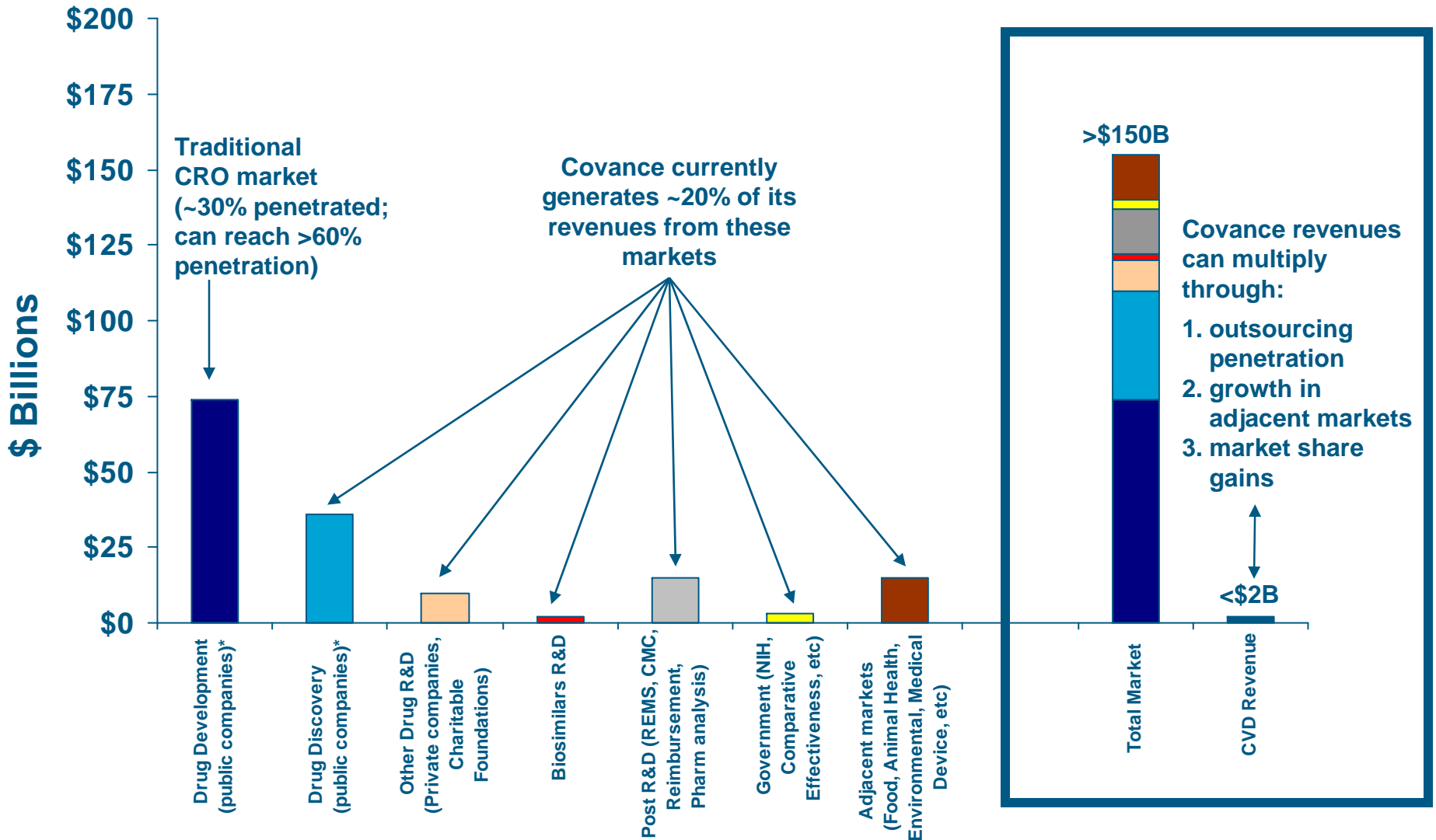


***Covance Inc.***  
***NYSE : CVD***

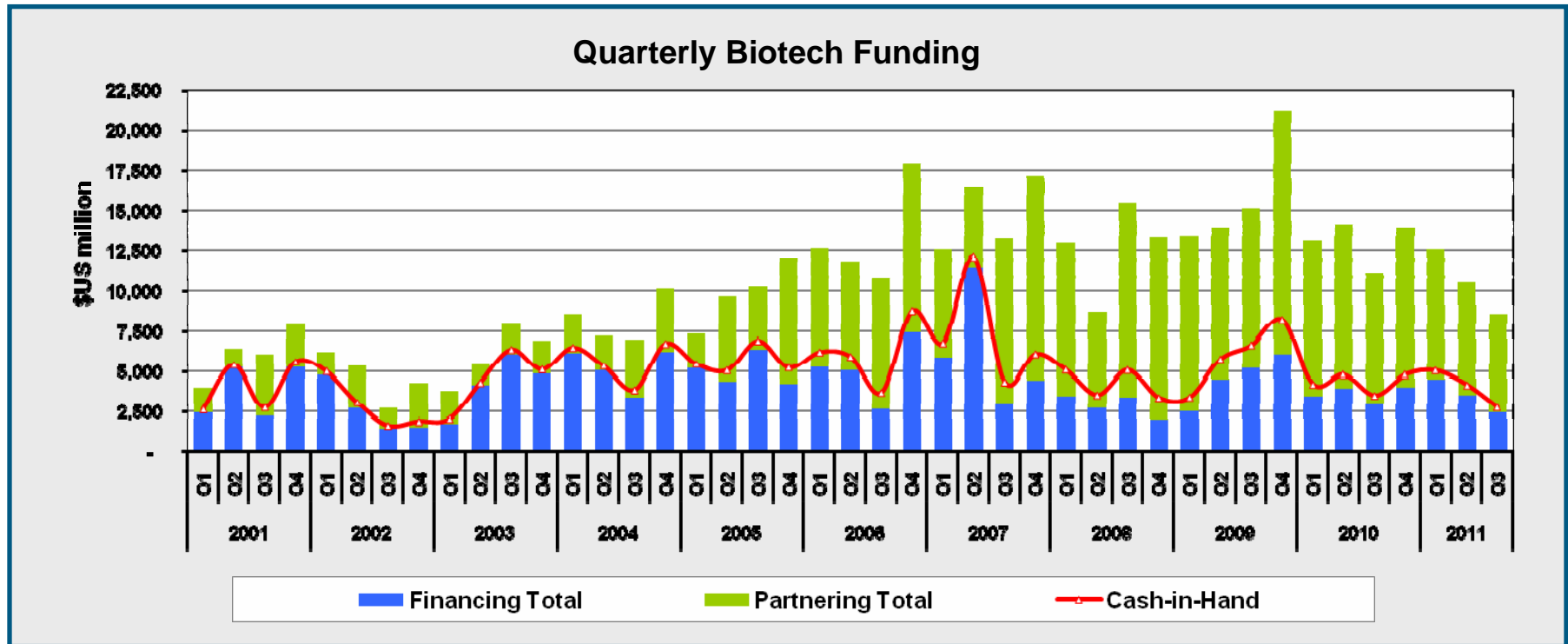
**COVANCE.**



# Markets We Serve



# Biotech Funding



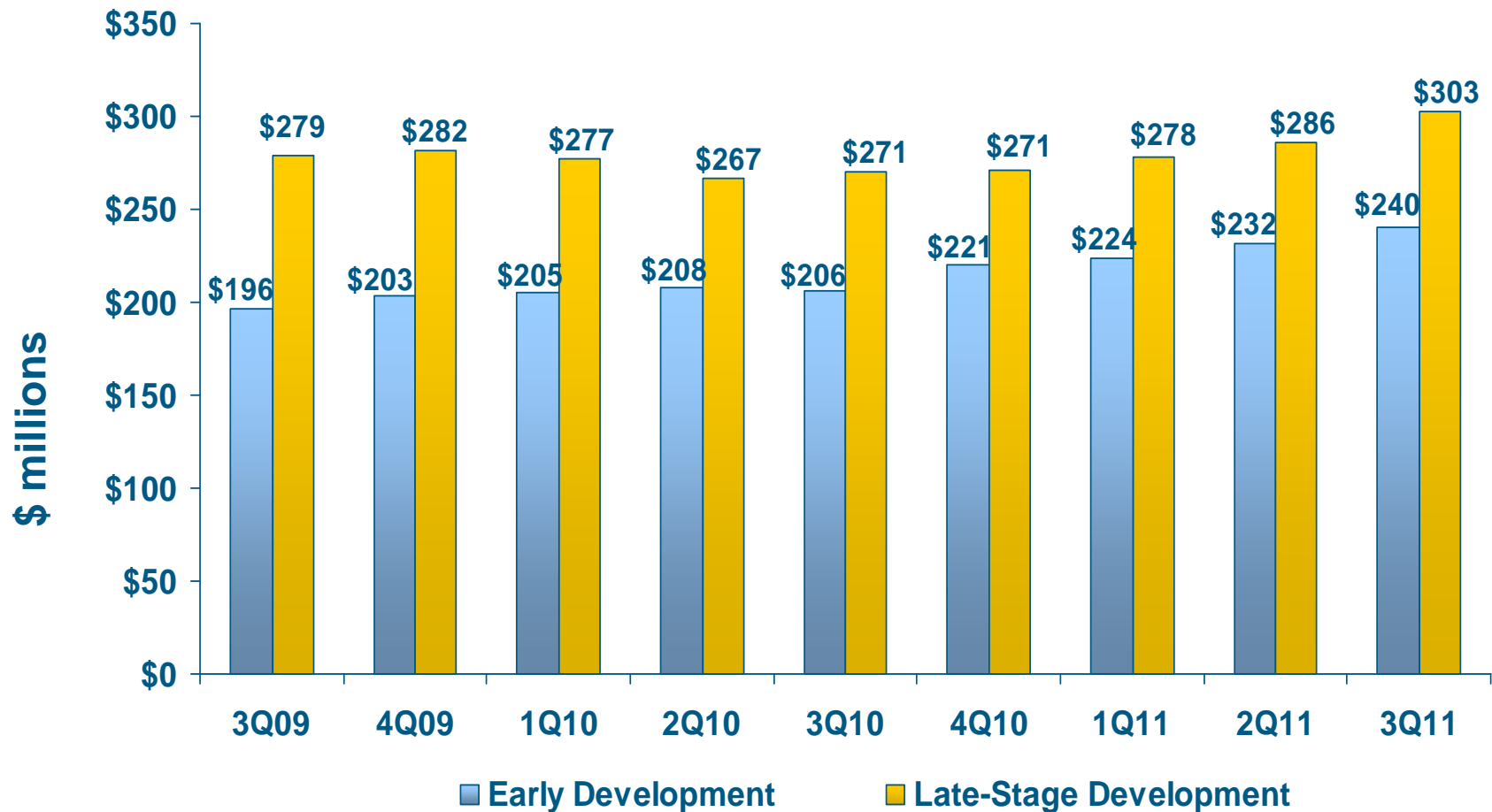
Source: BioWorld, Covance analysis

# Backlog and Adjusted Net Orders

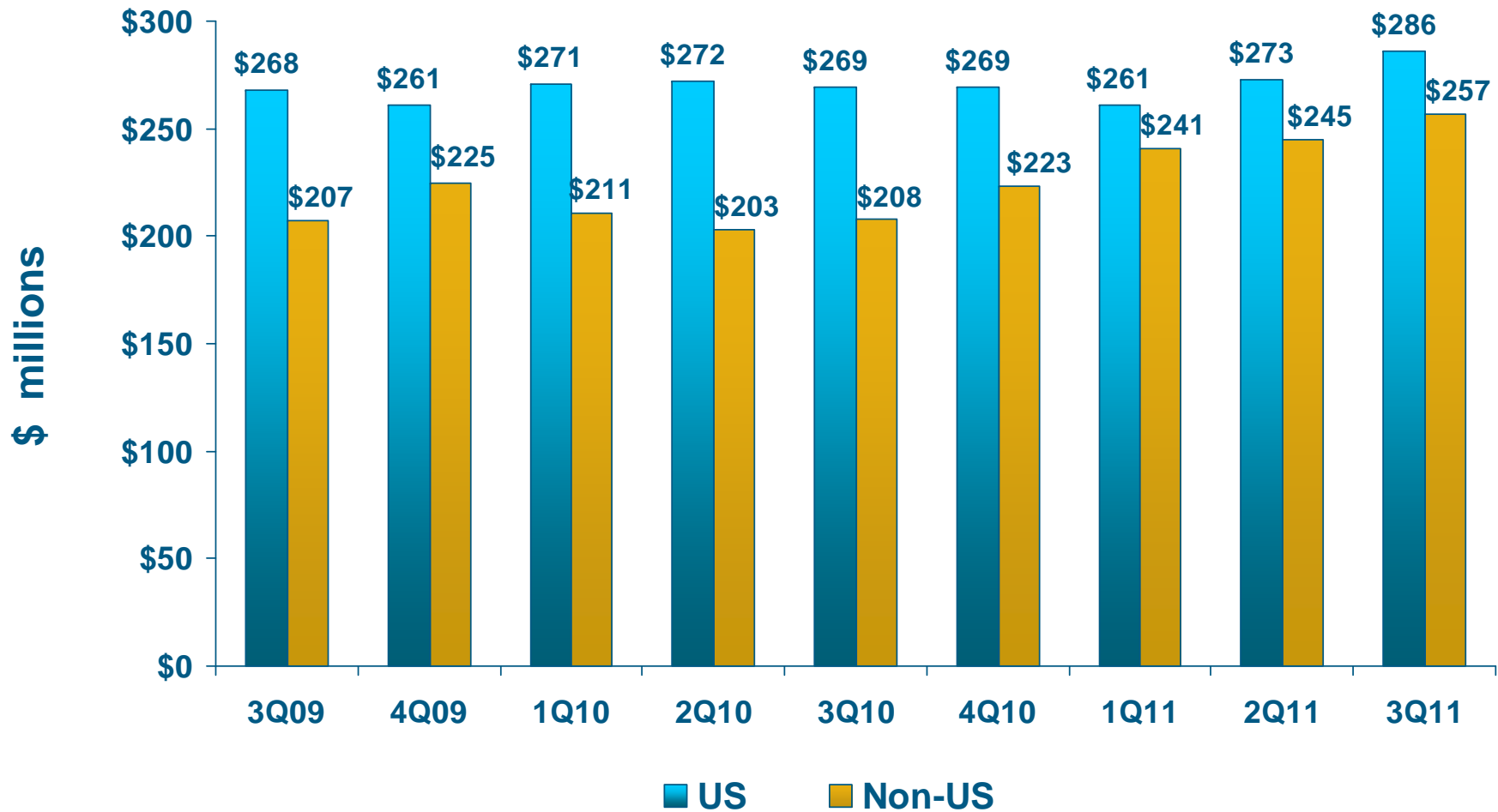
\$ in millions	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
CMV Backlog	\$1,634	\$1,584	\$1,538	\$2,651	\$2,692	\$2,647	\$2,422	\$2,303
All Other Backlog	\$3,232	\$3,204	\$3,289	\$3,367	\$3,502	\$3,642	\$3,825	\$3,775
<b>Total Backlog</b>	<b>\$4,866</b>	<b>\$4,788</b>	<b>\$4,827</b>	<b>\$6,018</b>	<b>\$6,194</b>	<b>\$6,289</b>	<b>\$6,247</b>	<b>\$6,078</b>
Net Orders	\$621	\$441	\$544	\$1,544	\$655	\$470	\$376	\$508
CMV revenue less CMV orders	\$22	\$49	\$46	(\$995)	(\$52)	\$94	\$238	\$89
<b>Adjusted Net Orders</b>	<b>\$643</b>	<b>\$490</b>	<b>\$590</b>	<b>\$549</b>	<b>\$603</b>	<b>\$564</b>	<b>\$614</b>	<b>\$597</b>
<b>Adjusted Net Book-to-Bill</b>	<b>1.33</b>	<b>1.02</b>	<b>1.24</b>	<b>1.15</b>	<b>1.23</b>	<b>1.12</b>	<b>1.18</b>	<b>1.10</b>

- “CMV” represents the contractual minimum volume commitment under strategic and dedicated agreements
- Covance believes backlog is not always a predictor of future results

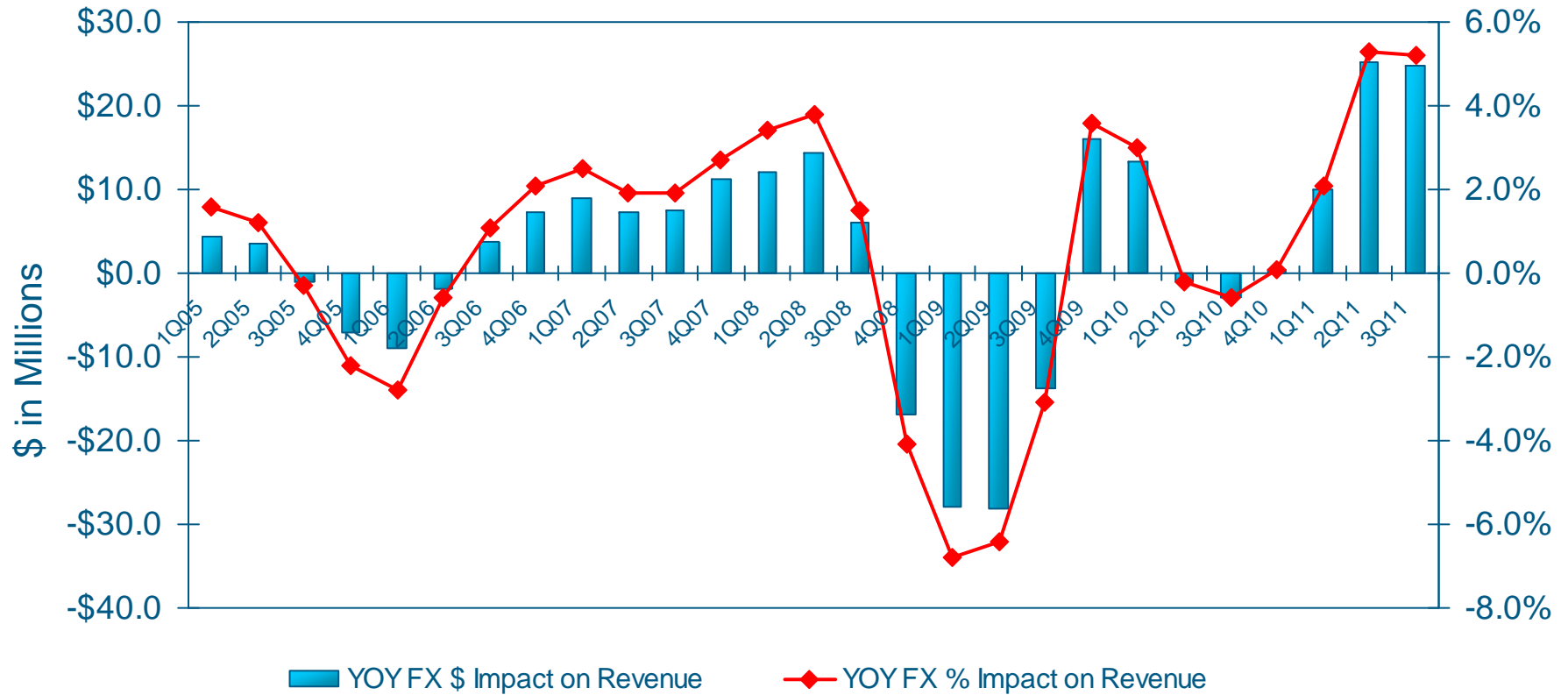
# Quarterly Net Revenues by Segment



# Quarterly Net Revenues US vs. Non-US



# FX Revenue Impact



# Foreign Exchange: Net Revenue by Geography

\$ in millions	<u>United States</u>	<u>United Kingdom</u>	<u>Switzerland</u>	<u>Euro Zone</u>	<u>Other*</u>
YTD10 \$	\$812	\$165	\$207	\$86	\$164
YTD11 \$	\$820	\$186	\$229	\$137	\$191
YTD10 %	56.6%	11.5%	14.5%	6.0%	11.4%
YTD11 %	52.4%	11.9%	14.7%	8.8%	12.2%
YTD10 average rate	1.00	1.54	0.93	1.32	-
YTD11 average rate	1.00	1.61	1.14	1.40	-
September 30, 2011	1.00	1.56	1.10	1.34	-

\* "Other" includes a mix of >20 currencies

## Reconciliation of 1H2011 As Reported to Pro Forma Amounts

<i>(\$ in millions except EPS)</i>	YTD11	YTD10
Net Revenues	\$1,020.2	\$ 957.1
Operating Income	\$90.7	\$ 95.4
Operating Margin	8.9%	10.0%
Net Income	\$70.4	\$70.8
Diluted EPS	\$1.15	\$1.09
2011 Restructuring Costs*	(\$10.4)	
Operating Income, excluding 2011 items*	\$101.1	
Operating Margin, ex 2011 items*	9.9%	
Net Income, ex 2011 items*	\$77.1	
Diluted EPS, ex 2011 items*	\$1.26	

## Reconciliation of FY2010 As Reported to Pro Forma Amounts

<i>(\$ in millions except EPS)</i>	<b>FY2010</b>	<b>FY2009</b>
Net Revenues	\$1,925.6	\$1,867.6
Operating Income	\$47.5	\$228.6
Operating Margin %	2.5%	12.2%
Net Income	\$68.3	\$175.9
Diluted EPS	\$1.06	\$ 2.73
Impairment charge	\$(119.2)	-
Restructuring Costs	\$(18.4)	-
Operating Income, ex items	\$185.1	\$228.6
Operating Margin %, ex items	9.6%	12.2%
Favorable Income Tax Items	\$17.3	\$2.1
Gain on Sale, net of tax	-	\$6.3
Net Income, excluding items	\$138.6	\$167.5
Diluted EPS, excluding items	\$2.15	\$2.60

## Reconciliation of FY2009 As Reported to Pro Forma Amounts

---

*\$ in millions, except EPS*

	<u>FY2009</u>	<u>FY2008</u>
Reported Net Income	\$175.9	\$196.8
Reported Diluted EPS	\$2.73	\$3.08
Less: Gains of Sales, net of tax	\$6.3	\$2.6
Less: Favorable tax items	\$2.1	-
Pro Forma Net Income	\$167.5	\$194.1
Pro Forma Diluted EPS	\$2.60	\$3.03

## Reconciliation of FY2008 As Reported to Pro Forma Amounts

---

\$ in millions, except EPS

	<b><u>FY2008 As Reported</u></b>	<b><u>Exclude Gain on Sale</u></b>	<b><u>FY2008 Pro Forma</u></b>
Pre Tax Income	\$274.3	(\$4.1)	\$270.2
Taxes on Income	\$79.4	(\$1.4)	\$78.0
Equity Earnings	\$1.9	-	\$1.9
Net Income	\$196.8	(\$2.7)	\$194.1
Diluted EPS	\$3.08	(\$0.05)	\$3.03
<i>Effective Tax Rate</i>	<i>28.9%</i>	-	<i>28.9%</i>

## Reconciliation of FY2007 As Reported to Pro Forma Amounts

---

\$ in millions, except ESP

	<b><u>FY2007 As Reported</u></b>	<b><u>Exclude Gain on Sale</u></b>	<b><u>FY2007 Pro Forma</u></b>
Pre Tax Income	\$246.4	(\$6.6)	\$239.8
Taxes on Income	\$72.9	(\$2.4)	\$70.5
Net Income	\$175.9	(\$4.1)	\$171.8
Diluted EPS	\$2.71	(\$0.06)	\$2.65

## Reconciliation of FY2006 As Reported to Pro Forma Amounts

---

\$ in millions, except EPS

	<b><u>FY2006 As Reported</u></b>	<b><u>Exclude 3Q06 Tax Gain</u></b>	<b><u>FY2006 Pro Forma</u></b>
Pre-tax income	\$200.6	-	\$200.6
Taxes on income	(\$57.2)	(\$2.5)	(\$59.7)
Equity Earnings	\$1.6	-	\$1.6
Net Income	\$145.0	(\$2.5)	\$142.5
Diluted EPS	\$2.24	(\$0.04)	\$2.20

## Reconciliation of FY2005 As Reported to Pro Forma Amounts

---

\$ in millions, except EPS

	<u>As Reported</u>	<u>Add in Stock-Based Compensation</u>	<u>Exclude 4Q Repatriation Tax Charge</u>	<u>Pro Forma</u>
Operating Income	\$175.1	(\$17.4)	-	\$157.7
Net Income	\$119.6	(\$11.9)	\$4.4	\$112.1
Diluted EPS	\$1.88	(\$0.19)	\$0.07	\$1.76