



Fourth Quarter 2011 Earnings

January 25, 2012

Safe Harbor

Statements contained in this presentation, 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, the price and rate at which the company executes its share repurchase program, the cost and pace of completion of our information technology projects and the realization of benefits therefrom, 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 Overview of Services

Early Development

- Nonclinical Laboratories (non-human testing)
 - Toxicology
 - Chemistry
- Clinical Pharmacology (early human trials)
- Research Products
- Discovery Services

Late-Stage Development

- Central Laboratories
- Clinical Development (Phase IIb-IV)
- Market Access Services

4Q11 and FY11 Financial Results

| <i>(\$ in millions except EPS)</i> | 4Q11 | 4Q10 | Change | FY 2011 | FY 2010 | Change |
|------------------------------------|-------------|-------------|---------------|----------------|----------------|---------------|
| Total Revenues | \$582.4 | \$519.5 | | \$2,236.4 | \$2,038.5 | |
| Less: Reimbursable Out-of-Pockets | \$49.9 | \$28.0 | | \$140.5 | \$112.9 | |
| Net Revenues | \$532.5 | \$491.5 | 8.3% | \$2,095.9 | \$1,925.6 | 8.8% |
| Operating Income | \$39.0 | \$28.9 | 35.0% | \$180.6 | \$47.5 | 280.3% |
| Net Income | \$21.1 | \$28.4 | (25.5%) | \$132.2 | \$68.3 | 93.7% |
| Earnings Per Share | \$0.35 | \$0.45 | (23.6%) | \$2.16 | \$1.06 | 104.3% |
| 2011 Charges | (\$31.1) | - | | (\$46.8) | - | |
| 2010 Charges | - | (\$18.4) | | - | (\$137.6) | |
| Favorable Income Tax items | \$1.8 | \$6.9 | | \$2.5 | \$17.3 | |
| Operating Income, ex items | \$57.9 | \$47.2 | 22.6% | \$215.3 | \$185.1 | 16.3% |
| Operating Margin %, ex items | 10.9% | 9.6% | | 10.3% | 9.6% | |
| Net Income, excluding items | \$44.6 | \$35.1 | 26.9% | \$165.0 | \$138.6 | 19.1% |
| Diluted EPS, excluding items | \$0.73 | \$0.56 | 30.4% | \$2.70 | \$2.15 | 25.7% |

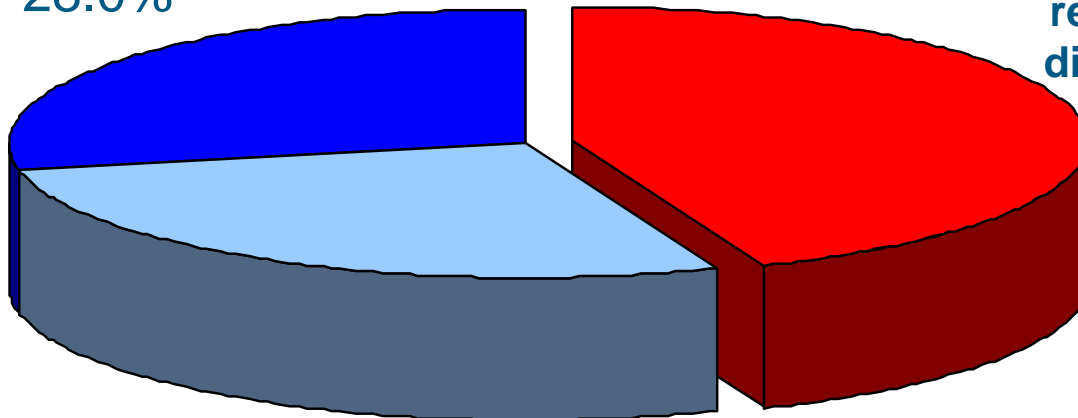
4Q11 Net Revenues by Service Area

***Central Laboratory**

28.0%

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

44.0%



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

28.0%

*** 56.0% Late-Stage
Development**

Operating Results by Segment

| (\$ in millions) | Early Development | | | Late-Stage Development | | |
|--------------------------|-------------------|---------|---------|------------------------|---------|--------|
| | 4Q11 | 4Q10 | Change | 4Q11 | 4Q10 | Change |
| Net Revenues | \$234.5 | \$220.6 | 6.3% | \$298.0 | \$270.9 | 10.0% |
| Operating Income | \$17.7 | \$21.1 | (16.3%) | \$58.2 | \$47.6 | 22.3% |
| OM% | 7.5% | 9.6% | | 19.5% | 17.6% | |
| 2011 Charges | (\$15.0) | | | (\$1.3) | | |
| 2010 Charges | (\$5.4) | | | (\$7.1) | | |
| 2010 Cost Actions | | | | | | |
| Pro forma OI | \$32.6 | \$26.6 | 22.8% | \$59.5 | \$54.7 | 8.7% |
| Pro forma OI% | 13.9% | 12.0% | | 20.0% | 20.2% | |

Stock-based compensation expenses are included in corporate expenses and are not a part of segment results.

Backlog and Adjusted Net Orders

| \$ in millions | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 | 3Q11 | 4Q11 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| CMV Backlog | \$1,584 | \$1,538 | \$2,651 | \$2,692 | \$2,647 | \$2,422 | \$2,303 | \$2,155 |
| All Other Backlog | \$3,204 | \$3,289 | \$3,367 | \$3,502 | \$3,642 | \$3,825 | \$3,775 | \$3,983 |
| Total Backlog | \$4,788 | \$4,827 | \$6,018 | \$6,194 | \$6,289 | \$6,247 | \$6,078 | \$6,138 |
| Net Orders | \$441 | \$544 | \$1,544 | \$655 | \$470 | \$376 | \$508 | \$668 |
| CMV revenue less CMV orders | \$49 | \$46 | (\$995) | (\$52) | \$94 | \$238 | \$89 | \$91 |
| Adjusted Net Orders | \$490 | \$590 | \$549 | \$603 | \$564 | \$614 | \$597 | \$759 |
| Adjusted Net Book-to-Bill | 1.02 | 1.24 | 1.15 | 1.23 | 1.12 | 1.18 | 1.10 | 1.42 |

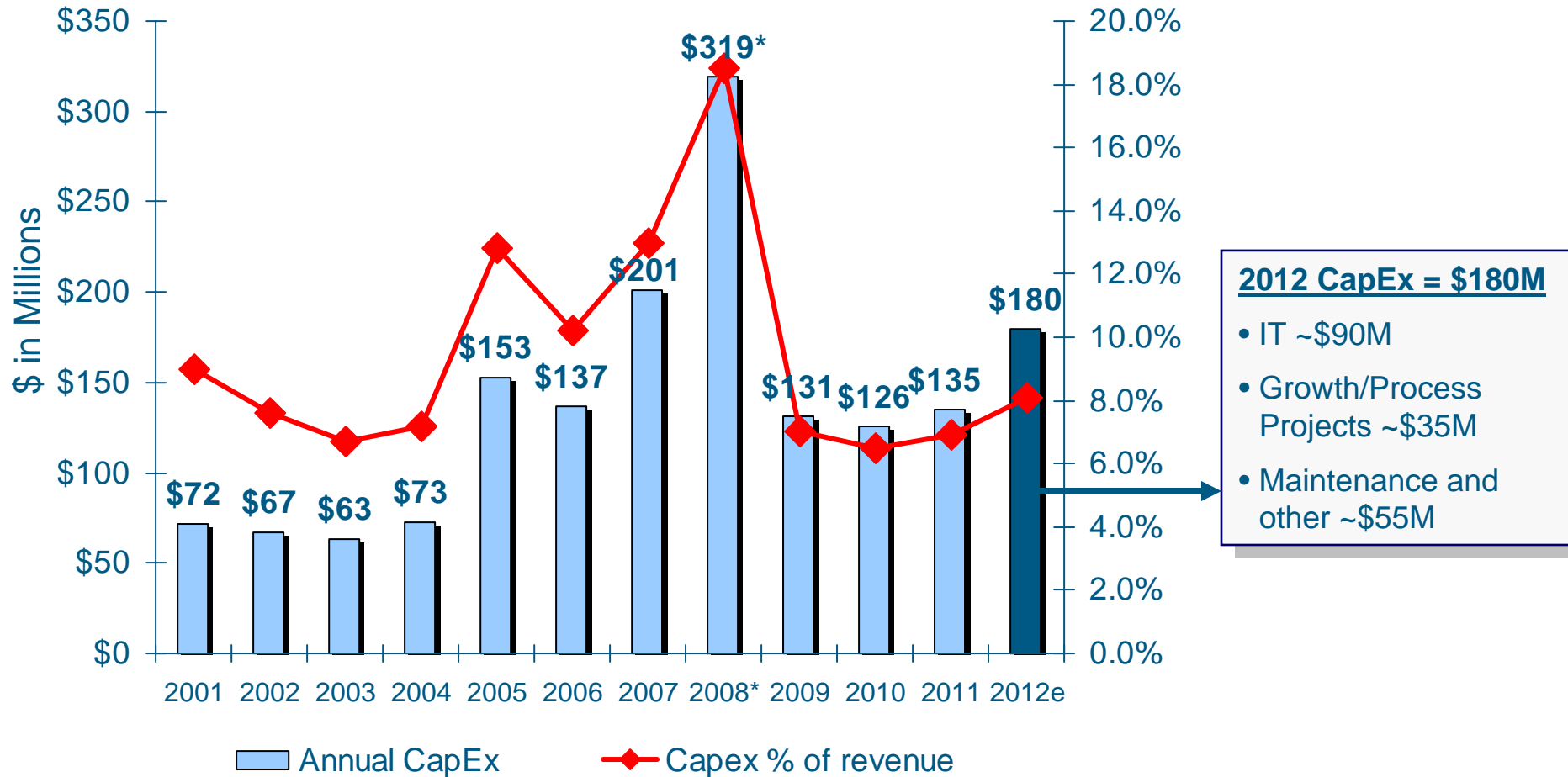
- “CMV” represents the contractual minimum volume commitment under strategic and dedicated agreements
- Covance believes backlog is not always a predictor of future results

Cash Flow Review

- DSOs were 38 days at 12/31/11 versus 38 days at 9/30/11 and 31 days at 12/31/10
- Cash balance at 12/31/11 was \$389M;
Total debt (all short term) was \$30M
- 4Q11 CapEx was \$48M
FY11 CapEx was \$135M
- 4Q11 free cash flow* was \$54M
FY11 free cash flow* was \$109M
- Board authorizes \$300M stock buyback

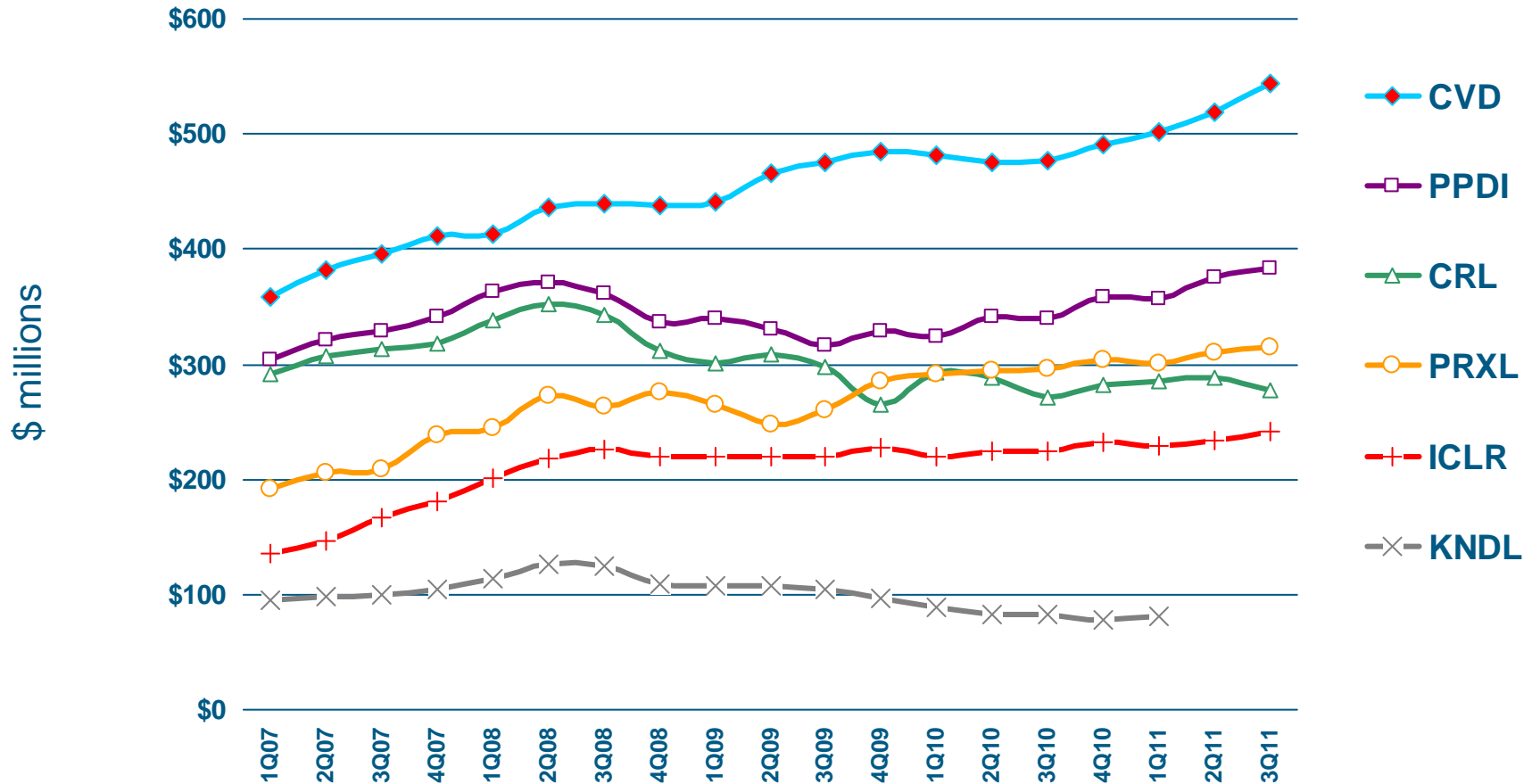
* Free cash flow equals cash from operations less capital spending

Capital Expenditures



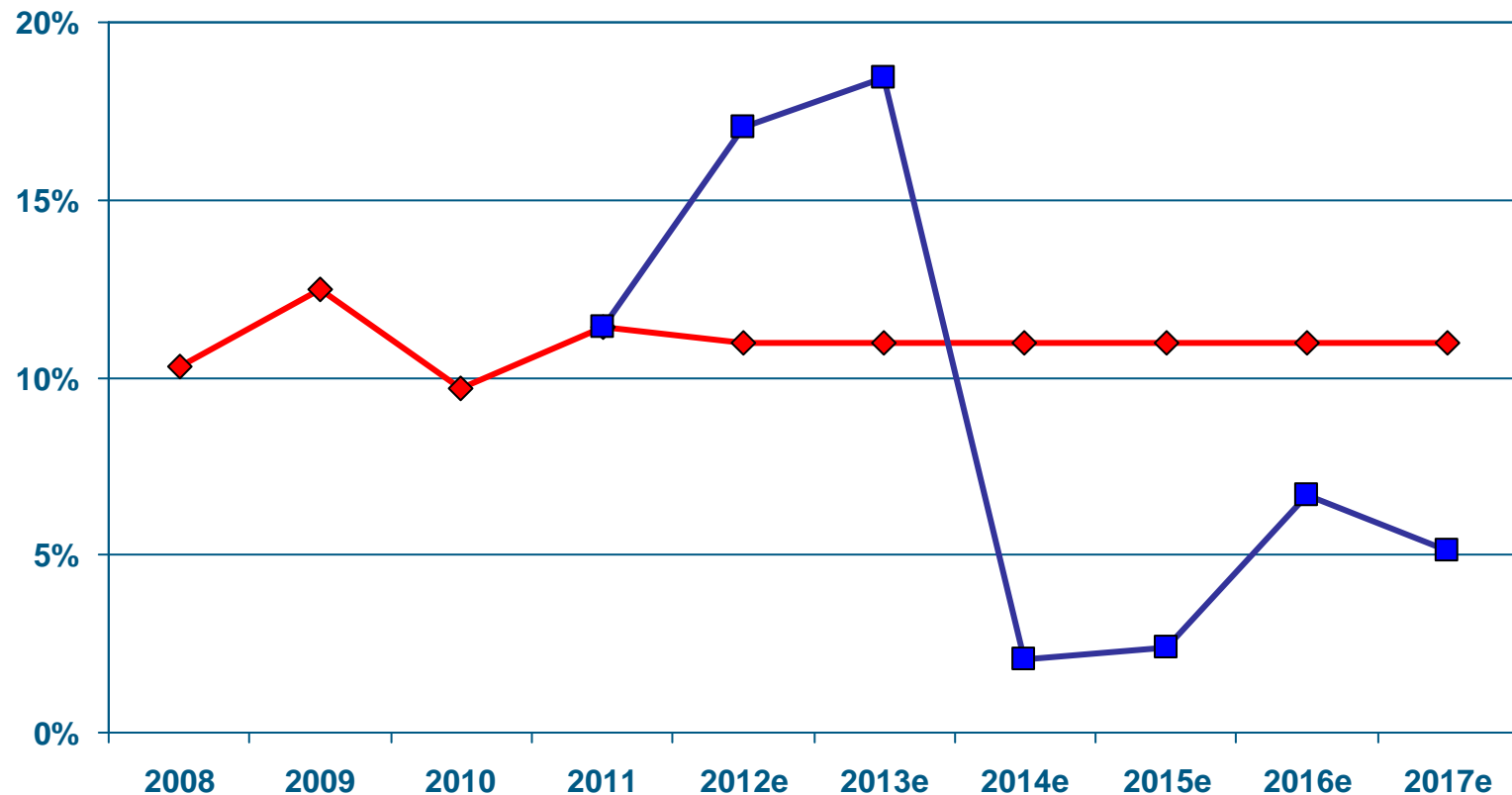
* Includes \$50M for the purchase of the Greenfield campus

Public CRO Quarterly Revenue Trends 1Q07 – 3Q11



Source: Capital IQ

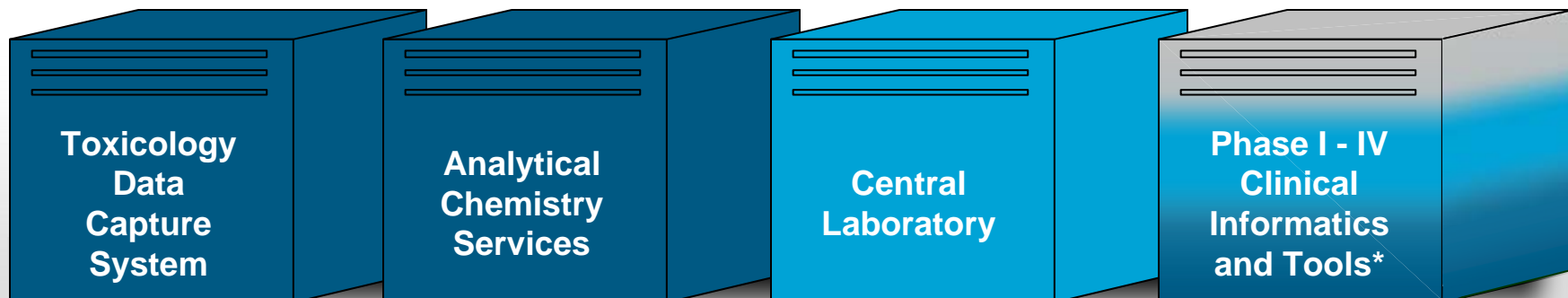
IT Spending Growth (historical & estimated)



—◆— IT OpEx Growth before new strategic initiatives & savings (future periods at historical CAGR)

—■— IT OpEx Growth after new strategic initiatives & savings

Major IT Investments Summary



ENABLING PLATFORMS

ERP Platform: Financials & HR

Enterprise Service Bus Capabilities

Enterprise Reporting Platform

End User Productivity Tools*

Data Center & Infrastructure Consolidation*

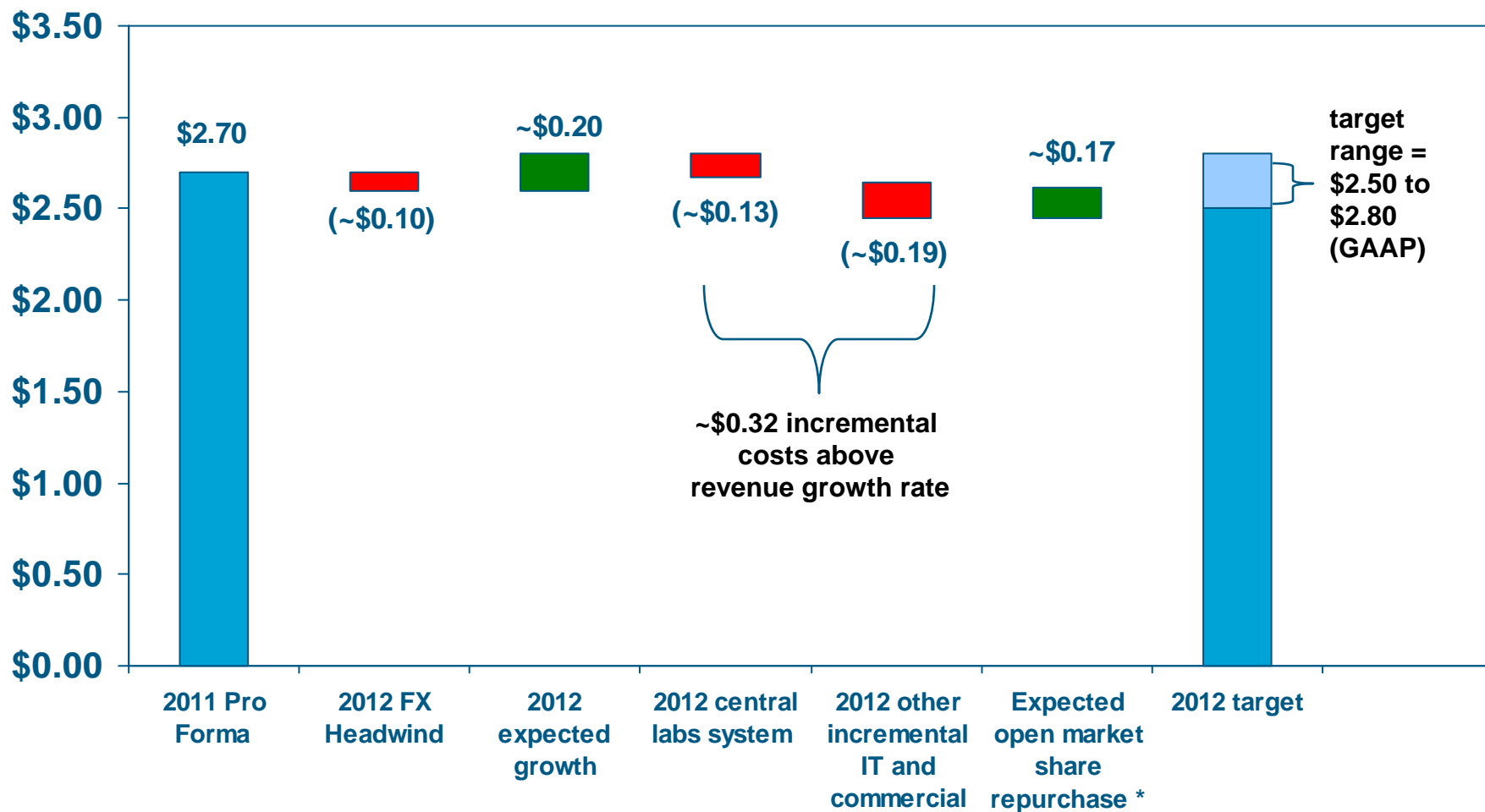
LEGEND:

Blue – In service Light Blue — In Progress Grey — Initiating*

* Indicates new initiatives discussed on 4Q11 earnings call



2012 EPS Walk



2012 Financial Targets

- Mid-single digit revenue growth
 - Includes ~200 basis point FX headwind
 - Assumes strong YOY growth in clinical
 - Assumes central lab sequentially flat from 4Q
 - Assumes modest YOY growth in Early Development
- Full-year GAAP EPS of \$2.50 to \$2.80
 - Includes \$0.15 - \$0.20 per share from open market share repurchase
 - FX at Dec 31, 2011 exchange rates
 - Assumes no new strategic alliances with clients

Appendix

Constant-Currency Net Revenue Growth

\$ in millions

| | <u>4Q11 \$</u> | <u>4Q11 %</u> |
|------------------------|----------------|---------------|
| Total As Reported | \$532.5 | 8.3% |
| <u>Exchange Impact</u> | <u>\$5.0</u> | <u>1.0%</u> |
| Total As Adjusted | \$527.5 | 7.3% |
| | | |
| Early Dev As Reported | \$234.5 | 6.3% |
| <u>Exchange Impact</u> | <u>(\$0.2)</u> | <u>(0.1%)</u> |
| Early Dev As Adjusted | \$234.7 | 6.4% |
| | | |
| Late-Stage As Reported | \$298.0 | 10.0% |
| <u>Exchange Impact</u> | <u>\$5.2</u> | <u>1.9%</u> |
| Late-Stage As Adjusted | \$292.8 | 8.1% |

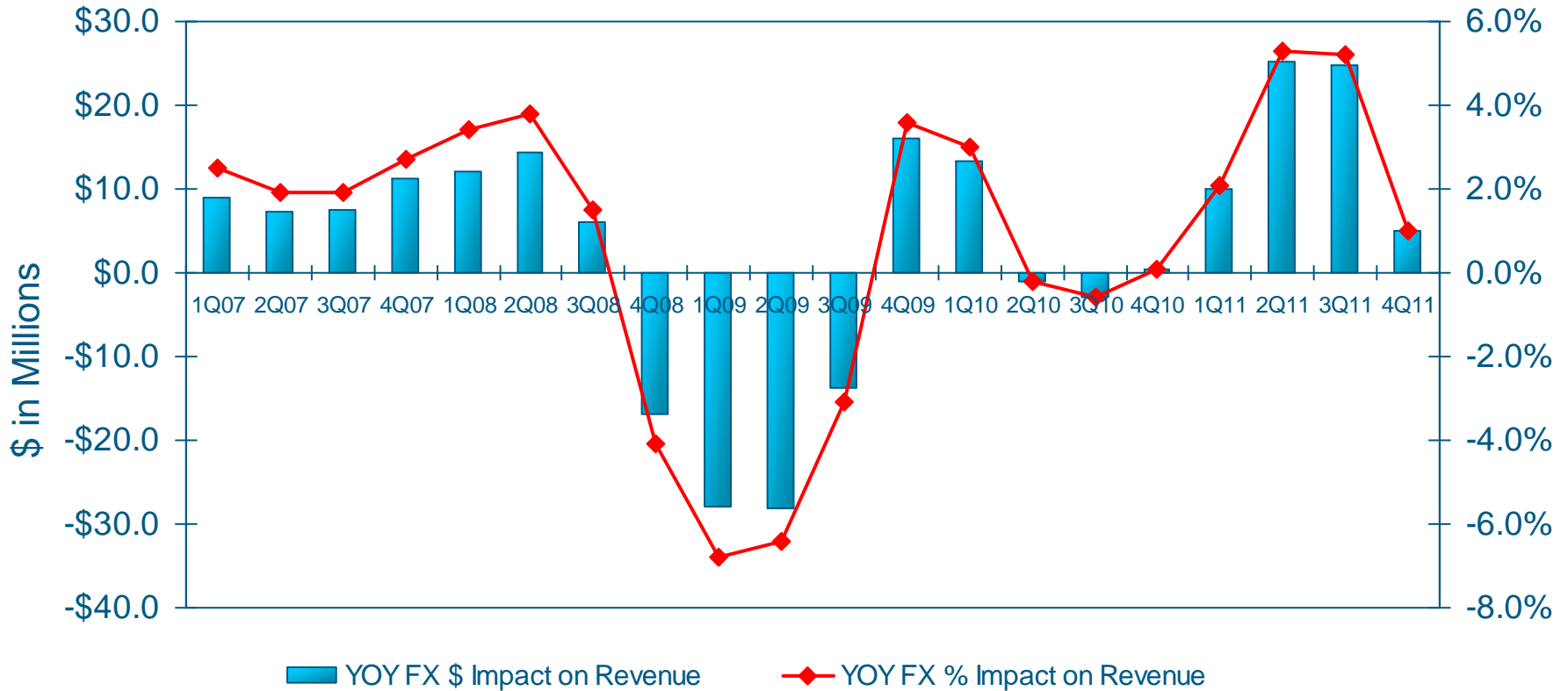
* Exchange impact is computed as the difference between current period local currency net revenue translated to US Dollars at current period exchange rates and current period local currency net revenue translated to US Dollars at the exchange rates in effect during the corresponding period of the prior year.

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> |
|-------------------|----------------------|-----------------------|--------------------|------------------|---------------|
| FY10 \$ | \$1,081 | \$220 | \$279 | \$124 | \$222 |
| FY11 \$ | \$1,099 | \$249 | \$305 | \$182 | \$261 |
| FY10 % | 56.1% | 11.4% | 14.5% | 6.5% | 11.5% |
| FY11 % | 52.4% | 11.9% | 14.6% | 8.7% | 12.4% |
| FY10 average rate | 1.00 | 1.55 | 0.96 | 1.33 | - |
| FY11 average rate | 1.00 | 1.60 | 1.13 | 1.39 | - |
| December 31, 2011 | 1.00 | 1.55 | 1.07 | 1.29 | - |

* "Other" includes a mix of >20 currencies

FX Revenue Impact



Days Sales Outstanding (\$ in thousands)

| Period Ended | Accounts Receivable | Unbilled Receivables | Total A/R + Unbilled | Client Advances | Net | Trailing 3 Mos Revenue |
|-------------------|---------------------|----------------------|----------------------|---------------------|-----------------|------------------------|
| 31-Dec-11 Days | \$312,127 53 | \$114,095 19 | \$426,222 73 | \$(202,210) (35) | \$224,012 38 | \$532,478 |
| 30-Sep-11 Days | \$284,769 48 | \$122,330 20 | \$407,099 68 | \$(181,613) (30) | \$225,486 38 | \$543,254 |
| 30-Jun-11 Days | \$297,704 52 | \$107,677 19 | \$405,381 71 | \$(188,328) (33) | \$217,053 38 | \$518,220 |
| 31-Mar-11 Days | \$295,476 54 | \$103,461 19 | \$398,937 72 | \$(195,744) (35) | \$203,193 37 | \$501,986 |
| 31-Dec-10 Days | \$261,160 48 | \$90,729 17 | \$351,889 65 | \$(186,301) (34) | \$165,588 31 | \$491,513 |
| 30-Sep-10 Days | \$281,677 54 | \$103,660 20 | \$385,337 74 | \$(149,496) (29) | \$235,841 45 | \$477,022 |
| 30-Jun-10 Days | \$281,106 54 | \$114,109 22 | \$395,215 76 | \$(152,073) (29) | \$243,142 47 | \$475,171 |
| 31-Mar-10 Days | \$265,826 50 | \$115,414 22 | \$381,240 72 | \$(159,661) (30) | \$221,579 42 | \$481,924 |
| 31-Dec-09 Days | \$285,119 53 | \$97,279 18 | \$382,398 71 | \$(166,890) (31) | \$215,508 40 | \$485,065 |
| 30-Sep-09 Days | \$291,225 56 | \$111,919 21 | \$403,144 77 | \$(181,436) (35) | \$221,708 42 | \$475,284 |

Other Information

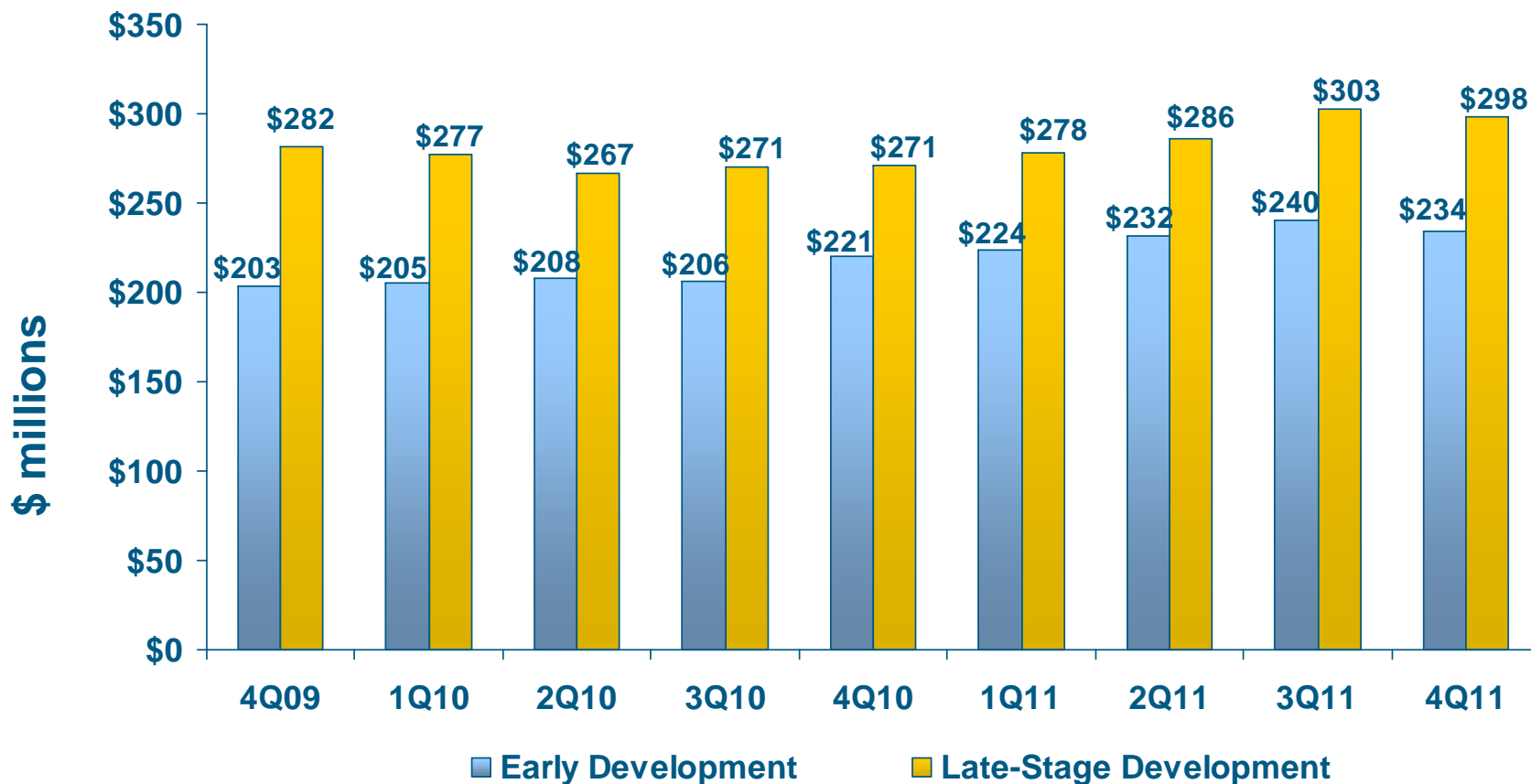
(\$ millions)

| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 | 3Q11 | 4Q11 |
|-------------------------------------|---------------|---------------|---------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| CAPEX | \$30.4 | \$37.1 | \$33.0 | \$25.8 | \$20.1 | \$30.4 | \$35.7 | \$48.3 |
| D&A | \$24.7 | \$26.3 | \$26.1 | \$25.9^a | \$25.9^a | \$25.8^a | \$27.6^a | \$25.9^a |
| Corp Admin, incl FAS123R | \$36.3 | \$36.5 | \$33.4 | \$39.9^b | \$36.9^b | \$38.7^b | \$38.4^b | 37.0^b |
| Employees | 10,437 | 10,442 | 10,380 | 10,528 | 10,616 | 10,811 | 11,135 | 11,292 |

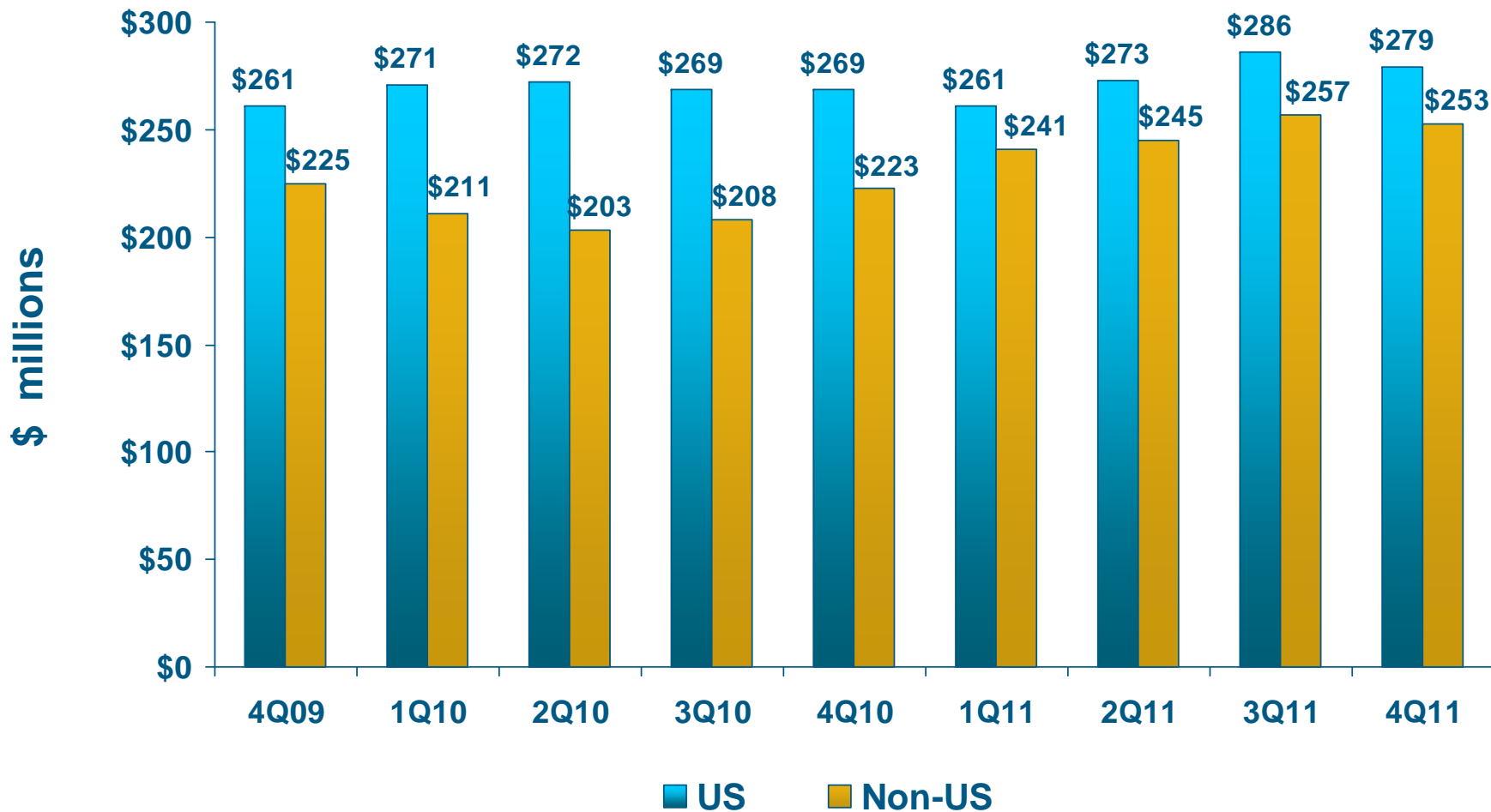
^a Includes \$0.3M, \$0.4M, \$0.4M, \$1.1M and (\$0.1M) in D&A associated with restructuring actions in 4Q10, 1Q11, 2Q11, 3Q11, and 4Q11 respectively

^b Includes \$5.8M, \$2.0M, \$1.8M, \$1.4M and \$2.7M in costs associated with restructuring actions in 4Q10, 1Q11 2Q11, 3Q11, and 4Q11 respectively

Quarterly Net Revenues by Segment



Quarterly Net Revenues US vs. Non-US



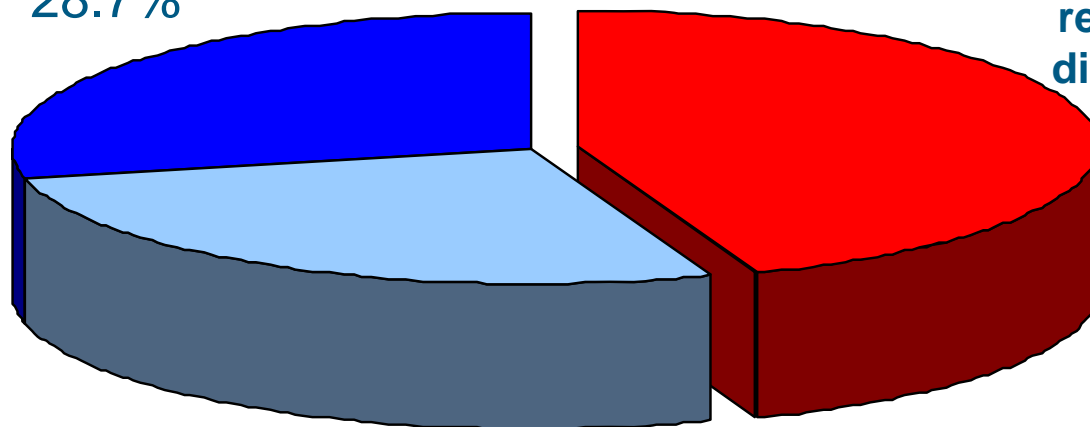
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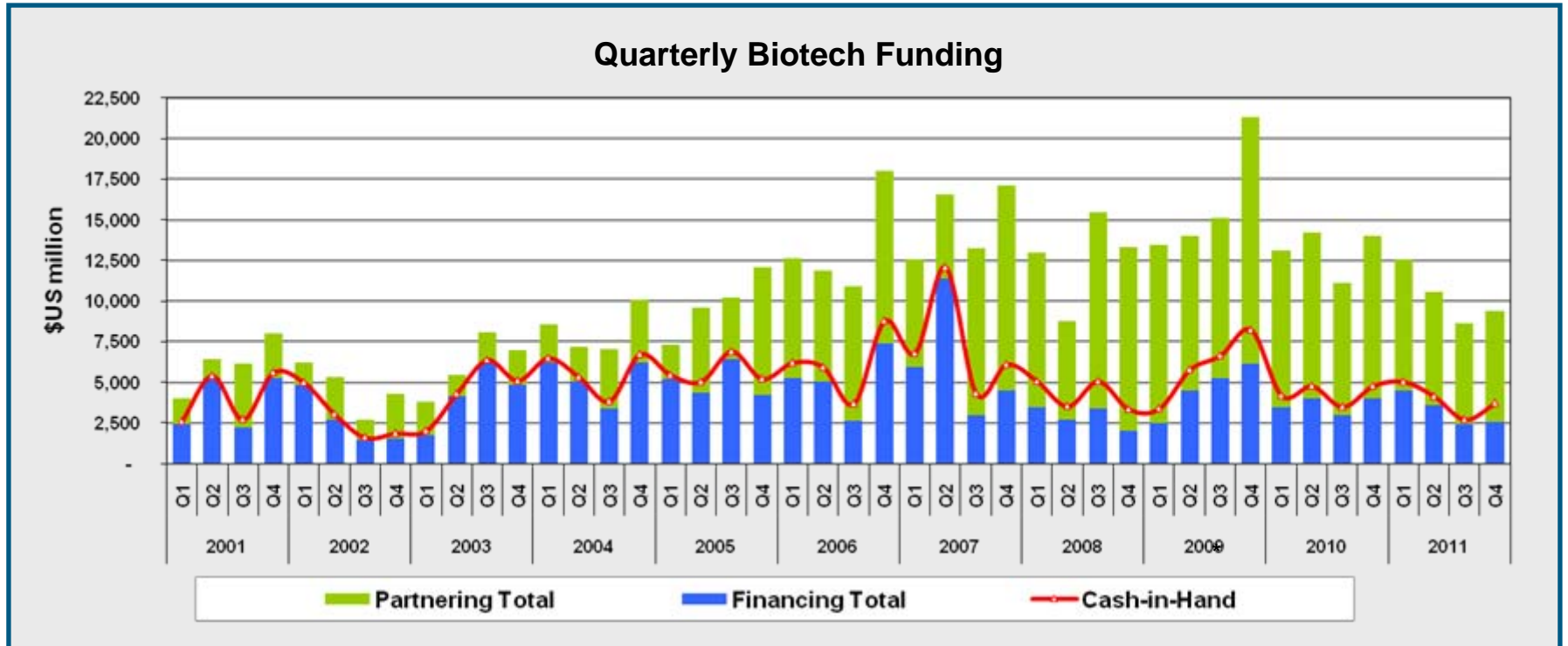


***Phase II-IV Clinical
Development and other**

26.9%

*** 55.6% Late-Stage
Development**

Biotech Funding



Source: BioWorld, Covance analysis