

SELECTED HISTORICAL FINANCIAL DATA OF OUR COMPANY

The following table summarizes selected historical financial data of our Company and our subsidiaries at the dates and for each of the periods presented. We derived the selected historical financial data for the years 2002 through 2006 from the audited consolidated financial statements of our Company. In September 2004, the Emerging Issues Task Force reached a final consensus on Issue 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share", or Issue 04-8, effective December 31, 2004. Pursuant to Issue 04-8, we included the dilutive effect of our 1¾% contingent convertible debentures issued November 26, 2001 in our dilutive earnings per common share calculations using the if-converted method, regardless of whether or not the holders of these securities were permitted to exercise their conversion rights, and retroactively restated previously reported diluted earnings per common share. Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards, or SFAS, No. 123, revised 2004, "Share-Based Payment", ("SFAS 123R") using the modified prospective approach and therefore has not restated results for prior periods. Under this approach, awards that are granted, modified or settled after January 1, 2006 will be measured and accounted for in accordance with SFAS 123R. Unvested awards that were granted prior to January 1, 2006 will continue to be accounted for in accordance SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment to SFAS No. 123", except that compensation cost will be recognized in the Company's results of operations. During the third quarter of 2006, the Company completed its wind down of NID, a test kit manufacturing subsidiary, and classified the operations of NID as discontinued operations. The selected historical financial data presented below has been restated to report the results of NID as discontinued operations for all periods presented. The selected historical financial data is only a summary and should be read together with the audited consolidated financial statements and related notes of our Company and management's discussion and analysis of financial condition and results of operations included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	<u>2006(a)</u>	<u>2005(f)</u>	<u>2004</u>	<u>2003(g)</u>	<u>2002(h)</u>
	(in thousands, except per share data)				
Operations Data:					
Net revenues.....	\$6,268,659	\$ 5,456,726	\$5,066,986	\$4,686,030	\$4,065,426
Operating income	1,128,077 (b),(d)	1,007,548 (i)	880,854 (k)	784,691	584,316
Income from continuing operations.....	625,692 (c)	573,196 (l)	492,415 (m)	429,173	317,445
(Loss)/income from discontinued operations	(39,271)(e)	(26,919)(j)	6,780	7,544	4,708
Net income	586,421	546,277	499,195	436,717	322,154
Earnings per common share – basic: (n)					
Income from continuing operations.....	\$ 3.18	\$ 2.84	\$ 2.42	\$ 2.07	\$ 1.65
(Loss)/income from discontinued operations	(0.20)	(0.13)	0.03	0.04	0.02
Net income	\$ 2.98	\$ 2.71	\$ 2.45	\$ 2.11	\$ 1.67
Earnings per common share – diluted: (n)(o)					
Income from continuing operations.....	\$ 3.14	\$ 2.79	\$ 2.32	\$ 1.99	\$ 1.57
(Loss)/income from discontinued operations	(0.20)	(0.13)	0.03	0.03	0.02
Net income	\$ 2.94	\$ 2.66	\$ 2.35	\$ 2.02	\$ 1.59
Dividends per common share (n).....	\$ 0.40	\$ 0.36	\$ 0.30	\$ 0.075	\$ -
Balance Sheet Data (at end of year):					
Cash and cash equivalents.....	\$ 149,640	\$ 92,130	\$ 73,302	\$ 154,958	\$ 96,777
Accounts receivable, net.....	774,414	732,907	649,281	609,187	522,131
Goodwill, net	3,391,046	3,197,227	2,506,950	2,518,875	1,788,850
Total assets	5,661,482	5,306,115	4,203,788	4,301,418	3,324,197
Long-term debt	1,239,105	1,255,386	724,021	1,028,707	796,507
Total debt	1,555,979	1,592,225	1,098,822	1,102,657	822,539
Total stockholders' equity	3,019,171	2,762,984	2,288,651	2,394,694	1,768,863
Other Data:					
Net cash provided by operating activities...	\$ 951,896	\$ 851,583	\$ 798,780	\$ 662,799	\$ 596,371
Net cash used in investing activities.....	(414,402)	(1,079,793)	(173,700)	(417,050)	(477,212)
Net cash provided by (used in) financing activities	(479,984)	247,038	(706,736)	(187,568)	(144,714)
Provision for doubtful accounts	243,443	233,628	226,310	228,222	217,360
Rent expense	153,185	139,660	132,883	120,748	96,547
Capital expenditures.....	193,422	224,270	176,125	174,641	155,196
Depreciation and amortization	197,398	176,124	168,726	153,903	131,391

- (a) On July 3, 2006, we completed the acquisition of Focus Technologies Holding Company, or Focus Diagnostics. Consolidated operating results for 2006 include the results of operations of Focus Diagnostics subsequent to the closing of the acquisition. See Note 3 to the Consolidated Financial Statements.
- (b) During the year ended December 31, 2006, we recorded \$55 million of stock-based compensation expense in accordance with SFAS 123R.
- (c) During the year ended December 31, 2006, we recorded \$10 million related to net investment losses.
- (d) During the year ended December 31, 2006, we recorded \$23 million in charges as a result of finalizing our plan of integration of LabOne and \$4.1 million in charges related to consolidating operations in California into a new facility.
- (e) During the year ended December 31, 2006, we recorded \$32 million in charges as a result of discontinuing NID's operations.
- (f) On November 1, 2005, we completed the acquisition of LabOne, Inc., or LabOne. Consolidated operating results for 2005 include the results of operations of LabOne subsequent to the closing of the acquisition. See Note 3 to the Consolidated Financial Statements.
- (g) On February 28, 2003, we completed the acquisition of Unilab Corporation, or Unilab. Consolidated operating results for 2003 include the results of operations of Unilab subsequent to the closing of the acquisition.
- (h) On April 1, 2002, we completed the acquisition of American Medical Laboratories, Incorporated, or AML. Consolidated operating results for 2002 include the results of operations of AML subsequent to the closing of the acquisition.
- (i) During the third quarter of 2005, we recorded a \$6.2 million charge primarily related to forgiveness of amounts owed by patients and physicians, and related property damage as a result of hurricanes in the Gulf Coast.
- (j) During the fourth quarter of 2005, we recorded a \$16 million charge to write-off certain assets in connection with a product hold at NID.
- (k) During the second quarter of 2004, we recorded a \$10.3 million charge associated with the acceleration of certain pension obligations in connection with the succession of our prior CEO.
- (l) During the third quarter of 2005, we recorded a \$7.1 million charge associated with the write-down of an investment.
- (m) During the second quarter of 2004, we recorded a \$2.9 million charge to interest expense, net representing the write-off of deferred financing costs associated with the refinancing of our bank debt and credit facility.
- (n) Previously reported basic and diluted earnings per share have been restated to give retroactive effect of our two-for-one stock split effected on June 20, 2005.
- (o) Potentially dilutive common shares primarily include the dilutive effect of our 1 $\frac{3}{4}$ % contingent convertible debentures issued November 26, 2001, which were redeemed principally through a conversion into common shares as of January 18, 2005, and outstanding stock options, performance share units and restricted common shares granted under our Amended and Restated Employee Long-Term Incentive Plan and our Amended and Restated Director Long-Term Incentive Plan.