

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from _____ to _____

Commission File Number 001-41704

FORTREA HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware

92-2796441

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer
Identification No.)

8 Moore Drive Durham, North Carolina

27709

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number, including area code) **(480)-295-7600**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	FTRE	The NASDAQ Stock Market LLC

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The registrant had outstanding 89.7 million shares of common stock as of November 6, 2024.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

**FORTREA HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)
(unaudited)**

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 105.3	\$ 108.6
Accounts receivable and unbilled services, net	689.1	988.5
Prepaid expenses and other	142.5	84.6
Current assets of discontinued operations	—	69.1
Total current assets	936.9	1,250.8
Property, plant and equipment, net	173.1	172.6
Goodwill, net	1,767.0	1,739.4
Intangible assets, net	691.2	728.1
Deferred income taxes	3.2	3.2
Other assets, net	92.3	69.7
Long-term assets of discontinued operations	—	368.8
Total assets	\$ 3,663.7	\$ 4,332.6
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 137.6	\$ 132.9
Accrued expenses and other current liabilities	323.1	335.5
Unearned revenue	321.1	214.2
Current portion of long-term debt	—	26.1
Short-term operating lease liabilities	14.0	17.2
Current liabilities of discontinued operations	—	52.5
Total current liabilities	795.8	778.4
Long-term debt, less current portion	1,124.5	1,565.9
Operating lease liabilities	65.4	62.8
Deferred income taxes and other tax liabilities	126.9	147.7
Other liabilities	37.6	32.1
Long-term liabilities of discontinued operations	—	31.6
Total liabilities	2,150.2	2,618.5
Commitments and contingent liabilities (Note 8)		
Equity		
Common stock, 89.7 and 88.8 shares outstanding at September 30, 2024 and December 31, 2023, respectively	0.1	0.1
Additional paid-in capital	2,027.3	1,998.0
Accumulated deficit	(335.8)	(68.5)
Accumulated other comprehensive loss	(178.1)	(215.5)
Total equity	1,513.5	1,714.1
Total liabilities and equity	\$ 3,663.7	\$ 4,332.6

The accompanying notes are an integral part of these unaudited condensed consolidated and combined financial statements.

FORTREA HOLDINGS INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	\$ 674.9	\$ 713.8	\$ 1,999.4	\$ 2,132.8
Costs and expenses:				
Direct costs, exclusive of depreciation and amortization (including costs incurred from related parties of \$48.8 during the nine months ended September 30, 2023)	526.6	563.8	1,606.1	1,674.0
Selling, general and administrative expenses, exclusive of depreciation and amortization	136.3	106.8	412.6	321.4
Depreciation and amortization	21.2	22.8	64.5	67.1
Restructuring and other charges	8.8	10.1	22.5	14.3
Total costs and expenses	<u>692.9</u>	<u>703.5</u>	<u>2,105.7</u>	<u>2,076.8</u>
Operating income (loss)	<u>(18.0)</u>	<u>10.3</u>	<u>(106.3)</u>	<u>56.0</u>
Other income (expense):				
Interest expense	(22.4)	(34.6)	(101.9)	(35.2)
Foreign exchange loss	(0.2)	(1.2)	(7.0)	(1.2)
Other, net	4.8	3.6	15.1	4.6
Income (loss) from continuing operations before income taxes	<u>(35.8)</u>	<u>(21.9)</u>	<u>(200.1)</u>	<u>24.2</u>
Income tax (benefit) expense	(17.3)	(5.8)	(2.5)	7.3
Income (loss) from continuing operations	<u>(18.5)</u>	<u>(16.1)</u>	<u>(197.6)</u>	<u>16.9</u>
Income (loss) from discontinued operations, net of tax	(9.4)	2.1	(69.7)	12.4
Net income (loss)	<u>\$ (27.9)</u>	<u>\$ (14.0)</u>	<u>\$ (267.3)</u>	<u>\$ 29.3</u>
Earnings (loss) per common share				
Basic earnings (loss) per share from continuing operations	\$ (0.21)	\$ (0.18)	\$ (2.21)	\$ 0.19
Basic earnings (loss) per share from discontinued operations	(0.10)	0.02	(0.78)	0.14
Basic earnings (loss) per share	<u>\$ (0.31)</u>	<u>\$ (0.16)</u>	<u>\$ (2.99)</u>	<u>\$ 0.33</u>
Diluted earnings (loss) per share from continuing operations	\$ (0.21)	\$ (0.18)	\$ (2.21)	\$ 0.19
Diluted earnings (loss) per share from discontinued operations	(0.10)	0.02	(0.78)	0.14
Diluted earnings (loss) per share	<u>\$ (0.31)</u>	<u>\$ (0.16)</u>	<u>\$ (2.99)</u>	<u>\$ 0.33</u>

The accompanying notes are an integral part of these unaudited condensed consolidated and combined financial statements.

FORTREA HOLDINGS INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (27.9)	\$ (14.0)	\$ (267.3)	\$ 29.3
Foreign currency translation adjustments	73.4	(55.6)	38.0	(6.6)
Net benefit plan adjustments	—	—	—	2.1
Unrealized gain (loss) on derivative instruments	(3.3)	1.6	(0.8)	1.6
Other comprehensive income (loss) before tax	70.1	(54.0)	37.2	(2.9)
Provision (benefit) for income tax related to items of comprehensive income	0.8	(0.4)	0.2	(0.4)
Other comprehensive income (loss), net of tax	70.9	(54.4)	37.4	(3.3)
Comprehensive income (loss)	<u>\$ 43.0</u>	<u>\$ (68.4)</u>	<u>\$ (229.9)</u>	<u>\$ 26.0</u>

The accompanying notes are an integral part of these unaudited condensed consolidated and combined financial statements.

FORTREA HOLDINGS INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN EQUITY
(in millions)
(unaudited)

	Common Stock		Additional Paid-in Capital	Former Parent Investment	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amounts					
Balance at December 31, 2023	88.8	\$ 0.1	\$ 1,998.0	\$ —	\$ (68.5)	\$ (215.5)	\$ 1,714.1
Net loss	—	—	—	—	(101.0)	—	(101.0)
Other comprehensive loss, net of tax	—	—	—	—	—	(26.1)	(26.1)
Stock compensation	—	—	15.1	—	—	—	15.1
Issuance of common stock	0.6	—	—	—	—	—	—
Net share settlement tax payments from issuance of stock to employees	—	—	(10.4)	—	—	—	(10.4)
Other	—	—	0.2	—	—	—	0.2
Balance at March 31, 2024	89.4	\$ 0.1	\$ 2,002.9	\$ —	\$ (169.5)	\$ (241.6)	\$ 1,591.9
Net loss	—	—	—	—	(138.4)	—	(138.4)
Other comprehensive loss, net of tax	—	—	—	—	—	(7.4)	(7.4)
Stock compensation	—	—	15.0	—	—	—	15.0
Issuance of common stock	0.1	—	—	—	—	—	—
Balance at June 30, 2024	89.5	\$ 0.1	\$ 2,017.9	\$ —	\$ (307.9)	\$ (249.0)	\$ 1,461.1
Net loss	—	—	—	—	(27.9)	—	(27.9)
Other comprehensive loss, net of tax	—	—	—	—	—	70.9	70.9
Stock compensation	—	—	13.0	—	—	—	13.0
Issuance of common stock under employee stock plans	0.2	—	—	—	—	—	—
Net share settlement tax payments from issuance of stock to employees	—	—	(3.6)	—	—	—	(3.6)
Balance at September 30, 2024	89.7	\$ 0.1	\$ 2,027.3	\$ —	\$ (335.8)	\$ (178.1)	\$ 1,513.5

FORTREA HOLDINGS INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN EQUITY
(in millions)
(unaudited)

	Common Stock		Additional Paid-in Capital	Former Parent Investment	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amounts					
Balance at December 31, 2022	—	\$ —	\$ —	\$ 3,614.8	\$ —	\$ (274.8)	\$ 3,340.0
Net income	—	—	—	12.5	—	—	12.5
Other comprehensive income, net of tax	—	—	—	—	—	19.1	19.1
Net transfers from Former Parent	—	—	—	31.2	—	—	31.2
Balance at March 31, 2023	—	—	—	3,658.5	—	(255.7)	3,402.8
Net income	—	—	—	30.8	—	—	30.8
Other comprehensive income, net of tax	—	—	—	—	—	32.0	32.0
Special payment to Former Parent	—	—	—	(1,595.0)	—	—	(1,595.0)
Net transfers to Former Parent	—	—	—	(122.9)	—	—	(122.9)
Reclassification of Former Parent investment to additional paid-in capital	—	—	1,971.4	(1,971.4)	—	—	—
Issuance of common stock	88.8	0.1	—	—	—	—	0.1
Balance at June 30, 2023	88.8	0.1	1,971.4	—	—	(223.7)	1,747.8
Net loss	—	—	—	—	(14.0)	—	(14.0)
Other comprehensive loss, net of tax	—	—	—	—	—	(54.4)	(54.4)
Stock compensation	—	—	11.1	—	—	—	11.1
Balance at September 30, 2023	88.8	\$ 0.1	\$ 1,982.5	\$ —	\$ (14.0)	\$ (278.1)	\$ 1,690.5

The accompanying notes are an integral part of these unaudited condensed consolidated and combined financial statements.

FORTREA HOLDINGS INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(in millions) (unaudited)

	Nine Months Ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (267.3)	\$ 29.3
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	66.1	73.6
Stock compensation	43.1	27.2
Credit loss expense	17.0	21.9
Operating lease right-of-use asset expense	10.8	20.9
Operating lease right-of-use asset impairment	4.8	—
Goodwill and other asset impairments	24.0	—
Deferred income taxes	(23.2)	(13.3)
Loss on sale of business	23.2	—
Write-off of debt issuance costs	12.2	—
Other, net	4.7	3.5
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable and unbilled services, net	290.9	(45.0)
(Increase) decrease in prepaid expenses and other	(33.3)	0.6
Increase in accounts payable	5.8	45.9
Increase (decrease) in deferred revenue	106.4	(6.0)
Decrease in accrued expenses and other	(39.5)	(8.6)
Net cash provided by operating activities	245.7	150.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(28.7)	(30.9)
Proceeds from sale of business, net	276.6	—
Proceeds from sale of assets	0.2	8.1
Net cash provided by (used for) investing activities	248.1	(22.8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	617.0	24.0
Payments on revolving credit facilities	(617.0)	(24.0)
Proceeds from term loans	—	1,061.4
Proceeds from issuance of senior notes	—	570.0
Debt issuance costs	—	(26.4)
Principal payments of long-term debt	(482.7)	(7.7)
Payments for taxes related to net share settlement of stock awards	(14.0)	—
Special payment to Former Parent	—	(1,595.0)
Net transfers to Former Parent	—	(135.4)
Net cash used for financing activities	(496.7)	(133.1)
Effect of exchange rate changes on cash and cash equivalents	(0.4)	(0.7)
Net change in cash and cash equivalents	(3.3)	(6.6)
Cash and cash equivalents at beginning of period	108.6	110.4
Cash and cash equivalents at end of period	\$ 105.3	\$ 103.8

The cash flows related to discontinued operations have not been segregated and are included in the condensed consolidated and combined statements of cash flows.

The accompanying notes are an integral part of these unaudited condensed consolidated and combined financial statements.

FORTREA HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

Description of Business

Fortrea Holdings Inc. (“Fortrea” or the “Company”), a Delaware corporation incorporated on January 31, 2023, is a leading global contract research organization (“CRO”) providing biopharmaceutical product and medical device development services to pharmaceutical, biotechnology and medical device customers. The Company offers customers highly flexible delivery models that include Full Service, Functional Service Provider, and Hybrid Service structures. The Company has a rich history of providing clinical development services for over 30 years across more than 20 therapeutic areas, first as Covance and later as Labcorp Drug Development. On June 30, 2023, the Company completed a spin-off (the “Spin” or the “Separation”) from Laboratory Corporation of America Holdings (“Labcorp” or “Former Parent”). The Company leverages its global scale, clinical data insights, scientific expertise, technology innovation, industry network and decades of experience as a standalone company and as a business unit prior to the Spin to deliver tailored solutions to its customers. With what the Company believes is a distinctive market offering, Fortrea meets growing global demand for clinical development services.

The Company manages its business in one reportable segment, Clinical Services, that provides services across the clinical pharmacology and clinical development spectrum. The Company has established access to all key markets worldwide through a strategic footprint of primary office locations in five countries (the United States, the United Kingdom, China, India and Singapore) with field operations in other jurisdictions worldwide.

Reportable Segment

On March 9, 2024, the Company, together with its wholly-owned subsidiary, Fortrea Inc., entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Endeavor Buyer LLC, an affiliate of Arsenal Capital Partners, to sell the operations of Fortrea Patient Access Inc. and its subsidiaries and Endpoint Clinical, Inc. and its subsidiaries; which are all collectively referred to as the Enabling Services Segment. Refer to *Note 2 - Discontinued Operations* for further discussion.

For all periods presented, the Company's consolidated revenues from continuing operations were generated from the Clinical Services segment, which provides phase I-IV clinical trials, including clinical pharmacology and comprehensive clinical development capabilities. The Company's chief operating decision maker allocates resources and assesses performance for the Clinical Services segment.

Discontinued Operations

In accordance with the definition of discontinued operations, the Company's decision to sell the assets relating to the Enabling Services Segment represented a strategic shift that had a major effect on the Company's results of operations and assets and liabilities for the periods presented. As a result, the Company has classified the assets and liabilities related to the Enabling Services Segment as assets of discontinued operations and liabilities of discontinued operations on the condensed consolidated balance sheet as of December 31, 2023. The operations of the Enabling Services Segment have been classified as income (loss) from discontinued operations on the condensed consolidated and combined statements of operations for all periods presented.

Unless otherwise noted, discussion within these notes to the condensed consolidated and combined financial statements relates to the Company's continuing operations.

FORTREA HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

Agreements with Labcorp

On June 30, 2023, the Company completed the Spin from Labcorp. The Company has entered into several agreements with Labcorp that govern the relationship of the parties following the Separation, including the Separation and Distribution Agreement, the Tax Matters Agreement, the Employee Matters Agreement, and the Transition Services Agreement with Labcorp, which are described in the Company's Registration Statement on Form 10, as amended ("Form 10"), as filed with the Securities and Exchange Commission (the "SEC"). Under the terms of the Transition Services Agreement, the Company and Labcorp agreed to provide each other certain transitional services. The services and assets to be provided to Fortrea by Labcorp support the Company's enterprise functions, most notably IT applications, network and security support and hosting, as well as finance, human resources, marketing and other administrative support.

Basis of Financial Statement Presentation

Prior to June 30, 2023, Fortrea existed and functioned as part of the consolidated business of Former Parent. The Company's financial statements for periods through the Spin reflect the historical financial position, results of operations and cash flows of the Company, for the periods presented, prepared on a "carve-out" basis and have been derived from the condensed consolidated financial statements and accounting records of Labcorp using the historical results of operations and historical basis of assets and liabilities of the Company, and reflect Labcorp's net investment in the Company. The condensed consolidated financial statements subsequent to June 30, 2023 reflect the results of operations, cash flows, and financial position of Fortrea as a standalone company, whereas all prior periods included consolidated and combined financial statements. The Company's unaudited condensed consolidated and combined financial statements for all periods presented are referred to throughout this document as "financial statements."

The Company's condensed consolidated and combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments necessary for a fair statement of results of operations, cash flows, and financial position have been made. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of results for a full year, and additionally, condensed consolidated and combined financial statements do not necessarily reflect what the financial position, results of operations, and cash flows would have been had it operated as a standalone company during the prior periods presented. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

The condensed consolidated and combined statements of operations include all revenues and costs directly attributable to Fortrea's business. The combined statements of operations for prior periods also include costs for certain centralized functions and programs provided and administered by Labcorp that were allocated to Fortrea. These centralized functions and programs include, but are not limited to legal, tax, treasury, risk management, sales expenses, information technology, human resources, finance, supply chain, executive leadership and stock-based compensation.

These expenses were allocated to Fortrea based on direct usage when identifiable or, when not directly identifiable, on the basis of proportional net revenues or headcount or another reasonable driver, as applicable. Fortrea considers the basis on which the expenses have been allocated to reasonably reflect the utilization of services provided to, or the benefit received by, Fortrea during the prior periods presented. However, the allocations may not reflect the expenses Fortrea would have incurred as an independent company for the prior periods presented and may not be representative of future expenses that may be incurred. Actual costs that may have been incurred if Fortrea had been a standalone company would depend on a number of factors, including, but not limited to, the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. For a period following the Spin some of these functions are provided by Labcorp.

FORTREA HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

As of December 31, 2022, a Former Parent investment is shown in lieu of common stock and retained earnings accounts in the condensed combined financial statements. The total net effect of the settlement of the transactions between the Company and Labcorp, exclusive of those historically settled in cash, is reflected in the condensed combined statements of cash flows in cash flows from financing activities as net transfers (to) from Former Parent.

All intercompany transactions within the Company have been eliminated. All transactions between the Company and Former Parent have been included in these condensed consolidated and combined financial statements. The Former Parent investment and all due from or due to Former Parent were settled at the time of the Spin. Refer to *Note 12 - Transactions with Former Parent* for further information.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and unbilled services.

The Company maintains cash and cash equivalents with various major financial institutions. These financial institutions are generally highly rated and geographically dispersed. The Company evaluates the relative credit standing of these financial institutions and has not sustained credit losses from instruments held at financial institutions.

Substantially all the Company's accounts receivable and unbilled services are with companies in the pharmaceutical, biotechnology and medical device industries. As of September 30, 2024, one customer accounted for 15.6% of the Company's combined gross accounts receivable and unbilled services. As of December 31, 2023, two pharmaceutical companies accounted for approximately 17.0% and 11.2% of the Company's combined gross accounts receivable and unbilled services. Additionally, for the three months ended September 30, 2024, one customer accounted for approximately 15.1% of revenues, and for the nine months ended September 30, 2024, two customers accounted for approximately 14.2% and 10.4% of revenues. For the three months ended September 30, 2023, two customer accounted for 14.6% and 11.4% of revenues, and for the nine months ended September 30, 2023, two customer accounted for 11.1% and 10.6% of revenues. Concentrations of credit risk are mitigated due to the number of the Company's customers as well as their dispersion across many different geographic regions. Additionally, the Company applies assumptions and judgments, including historical collection experience and reasonable and supportable forecasts, for assessing collectability and determining allowances for doubtful accounts.

Reclassification

Certain previously reported amounts have been reclassified to conform to the current year presentation.

During the quarter ended March 31, 2024, a change in basis of presentation, to include information technology costs and certain facility costs in Selling, general and administrative expenses was made to improve comparability of costs against peer companies in the clinical research industry. As a result, the Company reclassified \$39.0 and \$117.3 from Direct costs, exclusive of depreciation and amortization, to Selling, general and administrative expenses, exclusive of depreciation and amortization in the condensed consolidated and combined statement of operations for the three and nine months ended September 30, 2023, respectively, relating to information technology costs and certain facility charges. There is no impact on total operating expenses, operating income or net income during the period ended September 30, 2023. Direct costs include payroll and related benefits for project-related employees, pass through costs, facility costs related to phase I clinics and other direct costs from the Transition Services Agreement with Labcorp. Selling, general and administrative expenses consist primarily of administrative payroll and related benefit charges, information technology costs, other facility charges, advertising and promotional expenses, administrative travel and credit loss provisions.

Additionally, the Company reclassified \$0.1 from Other, net to Interest expense in the condensed consolidated and combined statement of operations for the nine months ended September 30, 2023.

FORTREA HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

Restatement of Prior Period Financial Statements

In connection with the preparation of the Company's financial statements for the quarter ended March 31, 2024, the Company identified errors impacting previously reported financial information, including to periods prior to the June 30, 2023 Spin. The errors consisted primarily of a goodwill impairment charge as a result of an incorrect carrying value used in the Company's impairment calculation, a reduction in revenue due to the misstatement in the amount of the ultimate resolution of a customer matter, an understatement of expense accruals allocated from Former Parent prior to spin, and an understatement of depreciation expense associated with certain projects that were not depreciated in a timely manner.

Management assessed the materiality of the errors, including the presentation of prior period consolidated financial statements, on a qualitative and quantitative basis in accordance with *SEC Staff Accounting Bulletin No. 99, Materiality*, codified in *Accounting Standards Codification ("ASC") Topic 250, Accounting Changes and Error Corrections*. Based on this assessment, the Company concluded that these errors and the related impacts did not result in a material misstatement of the previously issued consolidated and combined financial statements as of and for the fiscal years ended December 31, 2022 and 2023, and the previously issued unaudited condensed consolidated and combined interim financial statements for the quarters ended March 31, June 30, and September 30, 2023. However, correcting the cumulative effect of these errors in the first quarter of 2024 would have had a significant effect on the results of operations for that period.

Therefore, the relevant prior periods' financial statements and related footnotes, for these and other immaterial errors for comparative purposes, have been corrected. Previously reported financial information for such immaterial errors will continue to be corrected in future filings, as applicable.

A summary of the corrections to the impacted financial statement line items from the previously issued financial statements are presented in *Note 14 - Immaterial Financial Restatement and Reclassifications to Prior Period Financial Statements*.

Recently Issued and Adopted Accounting Standards

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, to improve reportable segment disclosure requirements. The new guidance requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included in the reported measure of segment profit or loss. It does not change the definition of a segment or the guidance for determining reportable segments. The new guidance will be effective for the Company in the annual period beginning January 1, 2024 and in 2025 for interim periods. The Company does not expect the adoption of this standard to have a material impact on its results of operations, financial position or cash flows.

In December 2023, the FASB issued guidance to require qualitative and quantitative updates to the rate reconciliation and income taxes paid disclosures, among others, in order to enhance the transparency of income tax disclosures, including consistent categories and greater disaggregation of information in the rate reconciliation and disaggregation by jurisdiction of income taxes paid. This guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied prospectively; however, retrospective application is also permitted. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

2. DISCONTINUED OPERATIONS

On March 9, 2024, the Company entered into the Purchase Agreement with Endeavor Buyer LLC, an affiliate of Arsenal Capital Partners, pursuant to which Fortrea Inc. agreed to sell, and to cause its affiliates to sell, net assets relating to its Enabling Services Segment (the "Transaction"), specifically its Patient Access and Endpoint businesses, including the sale of equity interests of Fortrea Patient Access Inc. and its subsidiaries and Endpoint Clinical, Inc. and its subsidiaries. The final adjusted purchase price for the Transaction was \$340.0, subject to customary purchase price adjustments, with \$295.0 paid at closing and \$45.0 to be paid upon achievement of certain transition-related milestones. The Transaction closed during the second quarter of 2024 with estimated proceeds of

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\$281.6 and resulting in a loss on disposal of \$23.2, subject to further adjustment based on customary purchase price adjustments.

Financial Information of Discontinued Operations

The following table summarizes the significant line items included in earnings (loss) from discontinued operations, net of income tax in the condensed consolidated and combined statements of operations for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	\$ —	\$ 63.4	\$ 106.4	\$ 198.0
Costs and expenses:				
Direct costs, exclusive of depreciation and amortization	—	44.8	66.4	135.2
Selling, general and administrative expenses, exclusive of depreciation and amortization	—	12.1	25.4	39.9
Depreciation and amortization	—	2.2	1.6	6.5
Long-lived and goodwill asset impairments	—	—	24.0	—
Restructuring and other charges	—	1.5	0.5	2.4
Total costs and expenses	—	60.6	117.9	184.0
Operating income (loss)	—	2.8	(11.5)	14.0
Other expense:				
Foreign exchange gain (loss)	—	0.1	0.1	(0.2)
Loss on sale of a business	—	—	(23.2)	—
Other, net	—	—	0.1	(0.1)
Income (loss) from discontinued operations before income taxes	—	2.9	(34.5)	13.7
Income tax expense	9.4	0.8	35.2	1.3
Income (loss) from discontinued operations, net of tax	\$ (9.4)	\$ 2.1	\$ (69.7)	\$ 12.4
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gain (loss) from operations of discontinued component	\$ (9.4)	\$ 2.1	\$ (46.5)	\$ 12.4
Loss on disposal of discontinued operations	—	—	(23.2)	—
Gain (loss) on discontinued operations	\$ (9.4)	\$ 2.1	\$ (69.7)	\$ 12.4

In the first quarter of 2024, as a result of the negotiated sale price of the Patient Access and Endpoint businesses, the Company evaluated the Enabling Services Segment for impairment and determined that it was more likely than not that the carrying value of the assets exceeded its fair value. Accordingly, an impairment analysis was performed, which resulted in a goodwill impairment charge of \$24.0.

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The following table summarizes the carrying value of the significant classes of assets and liabilities classified as discontinued operations as of December 31, 2023:

	December 31, 2023
ASSETS	
Current assets:	
Cash and cash equivalents	\$ —
Accounts receivable and unbilled services, net	60.4
Prepaid expenses and other	8.7
Total current assets	69.1
Property, plant and equipment, net	40.6
Goodwill, net	276.5
Intangible assets, net	43.1
Other assets, net	8.6
Total assets of discontinued operations	<u>\$ 437.9</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 4.5
Accrued expenses and other current liabilities	17.3
Unearned revenue	28.4
Short-term operating lease liabilities	2.3
Total current liabilities	52.5
Operating lease liabilities	3.7
Other liabilities	27.9
Total liabilities of discontinued operations	<u>\$ 84.1</u>

The cash flows related to discontinued operations have not been segregated and are included in the condensed consolidated and combined statements of cash flows. The following table summarizes depreciation and amortization, capital expenditures and the significant cash flow and noncash items from discontinued operations for the nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,	
	2024	2023
Depreciation and amortization	\$ 1.6	\$ 6.5
Goodwill impairment	24.0	—
Loss on sale of business	23.2	—
Capital expenditures	7.4	12.0

There are no significant operating or investing noncash items related to discontinued operations for the nine months ended September 30, 2024 and 2023.

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3. REVENUES

The Company's revenues by geography for the three and nine months ended September 30, 2024 and 2023 are as follows:

	Three Months Ended September 30, 2024				Three Months Ended September 30, 2023			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Revenues	\$ 319.7	\$ 191.8	\$ 163.4	\$ 674.9	\$ 349.5	\$ 204.3	\$ 160.0	\$ 713.8

	Nine Months Ended September 30, 2024				Nine Months Ended September 30, 2023			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Revenues	\$ 944.4	\$ 595.1	\$ 459.9	\$ 1,999.4	\$ 1,073.6	\$ 600.7	\$ 458.5	\$ 2,132.8

Revenue from the United States comprises substantially all revenue in North America.

Contract Costs

The following table provides information about contract asset balances:

	September 30, 2024	December 31, 2023
Sales commission assets	\$ 20.6	\$ 15.8
Deferred contract costs	1.4	2.0
Total	\$ 22.0	\$ 17.8

Amortization related to sales commission assets for the three months ended September 30, 2024 and 2023 was \$2.9 and \$2.0, respectively, and for the nine months ended September 30, 2024 and 2023 was \$8.5 and \$9.4, respectively. Amortization related to deferred contract costs for the three months ended September 30, 2024 and 2023 was \$0.6 and \$0.5, respectively, and for the nine months ended September 30, 2024 and 2023 was \$1.5 and \$1.6, respectively. The Company applies the practical expedient to not recognize the effect of financing in its contracts with customers when the difference in timing of payment and performance is one year or less.

Accounts Receivable, Unbilled Services and Unearned Revenue

The following table provides information about accounts receivable, unbilled services and unearned revenue from contracts with customers:

	September 30, 2024	December 31, 2023
Accounts receivable	\$ 156.2	\$ 420.2
Unbilled services	569.9	600.0
Less: allowance for credit losses	(37.0)	(31.7)
Total	\$ 689.1	\$ 988.5
Unearned revenue	\$ 321.1	\$ 214.2

Revenue recognized during the period that was included in the unearned revenue balance at the beginning of the period was \$147.6 and \$162.6 for the nine months ended September 30, 2024 and 2023, respectively. Additionally, as of the quarter ended September 30, 2024, the Company had sold \$300.0 of receivables as described in the *Receivables Securitization Program* section below.

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Credit Loss Rollforward

The Company estimates future expected losses on accounts receivable and unbilled services over the remaining collection period of the instrument.

The rollforward for the allowance for credit losses for the nine months ended September 30, 2024 is as follows:

	Accounts Receivable
Allowance for credit losses as of December, 2023	\$ 31.7
Credit loss expense	17.0
Write-offs	(11.6)
Foreign currency impact	(0.1)
Allowance for credit losses as of September 30, 2024	<u>\$ 37.0</u>

Performance Obligations Under Long-Term Contracts

As of September 30, 2024, approximately \$4,491 of revenues are expected to be recognized from remaining long-term performance obligations. The Company expects to recognize approximately 27% of the existing performance obligations as of September 30, 2024 as revenue over the next 12 months and the remaining balance thereafter. The Company's long-term contracts generally range from one to eight years.

During the three and nine months ended September 30, 2024, there were reductions of approximately \$6 and \$58, respectively, in revenue related to performance obligations partially satisfied in previous periods. For the three months ended September 30, 2024, the majority of the change was associated with changes in estimated effort to complete customer contract obligations and a smaller portion related to changes in scope or price. For the three months ended September 30, 2024, the change in estimate resulted in an estimated reduction to revenue of \$4, and an increase in loss from continuing operations of \$2 and in loss per share of \$0.02. For the nine months ended September 30, 2024, the change in estimate resulted in an estimated reduction to revenue of \$25, and an increase in loss from continuing operations of \$25 and in loss per share of \$0.28.

During the three and nine months ended September 30, 2023, there were reductions of approximately \$16 and \$48, respectively, in revenue related to performance obligations partially satisfied in previous periods. For the three months ended September 30, 2023, the majority of the change was associated with changes in scope and price and a smaller portion related to changes in estimated effort to complete customer contract obligations. For the three months ended September 30, 2023, the change in estimate resulted in an estimated reduction to revenue of \$5, and an increase in loss from continuing operations of \$4 and in loss per share of \$0.05. For the nine months ended September 30, 2023, the change in estimate resulted in an estimated reduction to revenue of \$21, and a decrease in income from continuing operations of \$14 and in income per share of \$0.16.

Accounts Receivable Purchase Program

On June 23, 2023, Fortrea entered into an accounts receivable purchase program ("ARPP") with a financial institution (the "Financial Institution"). The ARPP established a receivables factoring facility whereby the Company could sell up to \$80.0 in customer receivables based on the availability of certain eligible receivables and the satisfaction of certain conditions. Under the facility, the Company could sell eligible receivables and retain no interest in the transferred receivables other than collection and administrative functions for the Financial Institution.

The Company accounted for these receivable transfers as sales and derecognized the sold receivables from its balance sheets. The fair value of the sold receivables approximated their book value due to their short-term nature. The Company continued to service, administer and collect the receivables on behalf of the Financial Institution and did not receive a servicing fee as part of the arrangement. On June 28, 2023, \$17.5 of receivables were sold with net proceeds of \$17.3. The ARPP was terminated in May 2024, and there were no receivables outstanding as of the date of termination.

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Receivables Securitization Program

On May 6, 2024, the Company entered into a three-year \$300.0 accounts receivable securitization program (the “Receivables Facility”). Under this program, Fortrea Inc. conveys receivable balances to a wholly-owned, bankruptcy-remote special purpose entity (“SPE”), who in turn, may sell receivables to a third-party financial institution in exchange for cash. The facility is without recourse to the Company or any subsidiaries of the Company, other than with respect to limited indemnity obligations of Fortrea Inc., in respect to the character of the receivables sold and as to the performance of its duties as servicer and a limited performance guaranty by the Company. All unsold accounts receivables held by the SPE are pledged as collateral to secure the collectability of the sold receivables. The Receivables Facility is scheduled to terminate on May 6, 2027, unless terminated earlier pursuant to its terms.

As of September 30, 2024, the Company had sold \$300.0 of receivables, which were derecognized from the Company’s consolidated balance sheet, with net proceeds of \$297.9, as described in the *Accounts Receivable, Unbilled Services and Unearned Revenue* section above. Total costs associated with the sale were \$5.3 and \$7.4 for the three and nine months ended September 30, 2024, respectively, and are included within Selling, general and administrative costs, exclusive of depreciation and amortization in the condensed consolidated and combined statement of operations for the three and nine months ended September 30, 2024. Continuous cash activity related to the Receivables Facility is reflected in cash from operating activities in the consolidated statement of cash flows.

4. RESTRUCTURING AND OTHER CHARGES

During 2023, the Company took actions to reduce overcapacity, align resources, and restructure certain operations. These actions included eliminating redundant positions and aligning resources and facilities for cost improvements and to meet customer requirements. These restructuring actions are expected to continue throughout 2024.

The following represents the Company’s restructuring accrual activities for the periods indicated:

	Severance and Other Employee Costs	Facility Costs	Total
Balance as of December 31, 2023	\$ 1.1	\$ 3.2	\$ 4.3
Restructuring charges	16.0	0.7	16.7
Reduction of prior restructuring accruals	(0.9)	(3.0)	(3.9)
Cash payments and other adjustments	(14.2)	(0.6)	(14.8)
Balance as of September 30, 2024	<u>\$ 2.0</u>	<u>\$ 0.3</u>	<u>\$ 2.3</u>

	Severance and Other Employee Costs	Facility Costs	Total
Balance as of December 31, 2022	\$ 1.8	\$ 4.5	\$ 6.3
Restructuring charges	9.7	0.9	10.6
Cash payments and other adjustments	(8.4)	(1.2)	(9.6)
Balance as of September 30, 2023	<u>\$ 3.1</u>	<u>\$ 4.2</u>	<u>\$ 7.3</u>

The current portion of the restructuring liabilities is included in the condensed consolidated balance sheets in accrued expenses and other current liabilities. The non-current portion of the restructuring liabilities is included in the condensed consolidated balance sheets in other liabilities.

The non-current portion of restructuring liabilities as of September 30, 2024 and December 31, 2023, was \$0.0 and \$2.4, respectively.

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5. EARNINGS (LOSS) PER SHARE

On June 30, 2023, the Separation from Labcorp was effected through a pro-rata distribution of one share of the Company's common stock for every share of Labcorp common stock held at the close of business on the record date of June 20, 2023. As a result, on June 30, 2023, the Company had 88.8 shares of common stock outstanding. This share amount is being utilized for the calculation of basic earnings per share for all periods presented through the Separation date. As of the Separation date, actual outstanding shares are used to calculate basic weighted average common shares outstanding. Basic earnings per share is computed by dividing net earnings attributable to the Company by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net earnings including the impact of dilutive adjustments by the weighted average number of common shares outstanding plus potentially dilutive shares, as if they had been issued at the earlier of the date of issuance or the beginning of the period presented. Potentially dilutive common shares result primarily from the Company's outstanding stock options, restricted stock awards, restricted stock units ("RSUs"), and performance share awards.

The following represents a reconciliation of basic earnings (loss) per share to diluted earnings (loss) from continuing operations per share.

	Three Months Ended September 30,					
	2024			2023		
	Earnings	Shares	Per Share Amount	Earnings	Shares	Per Share Amount
Basic earnings (loss) from continuing operations per share:						
Net earnings (loss)	\$ (18.5)	89.6	\$ (0.21)	\$ (16.1)	88.8	\$ (0.18)
Dilutive effect of employee stock options and awards	—	—	—	—	—	—
Net earnings (loss) from continuing operations including impact of dilutive adjustments	<u>\$ (18.5)</u>	<u>89.6</u>	<u>\$ (0.21)</u>	<u>\$ (16.1)</u>	<u>88.8</u>	<u>\$ (0.18)</u>
	Nine Months Ended September 30,					
	2024			2023		
	Earnings	Shares	Per Share Amount	Earnings	Shares	Per Share Amount
Basic earnings (loss) from continuing operations per share:						
Net earnings (loss)	\$ (197.6)	89.4	\$ (2.21)	\$ 16.9	88.8	\$ 0.19
Dilutive effect of employee stock options and awards	—	—	—	—	0.2	—
Net earnings (loss) from continuing operations including impact of dilutive adjustments	<u>\$ (197.6)</u>	<u>89.4</u>	<u>\$ (2.21)</u>	<u>\$ 16.9</u>	<u>89.0</u>	<u>\$ 0.19</u>

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The following represents a reconciliation of basic earnings (loss) per share to diluted earnings (loss) from discontinued operations per share.

	Three Months Ended September 30,					
	2024			2023		
	Earnings	Shares	Per Share Amount	Earnings	Shares	Per Share Amount
Basic earnings (loss) from discontinued operations per share:						
Net earnings (loss)	\$ (9.4)	89.6	\$ (0.10)	\$ 2.1	88.8	\$ 0.02
Dilutive effect of employee stock options and awards	—	—	—	—	—	—
Net earnings (loss) from discontinued operations including impact of dilutive adjustments	<u>\$ (9.4)</u>	<u>89.6</u>	<u>\$ (0.10)</u>	<u>\$ 2.1</u>	<u>88.8</u>	<u>\$ 0.02</u>

	Nine Months Ended September 30,					
	2024			2023		
	Earnings	Shares	Per Share Amount	Earnings	Shares	Per Share Amount
Basic earnings (loss) from discontinued operations per share:						
Net earnings (loss)	\$ (69.7)	89.4	\$ (0.78)	\$ 12.4	88.8	\$ 0.14
Dilutive effect of employee stock options and awards	—	—	—	—	0.2	—
Net earnings (loss) from discontinued operations including impact of dilutive adjustments	<u>\$ (69.7)</u>	<u>89.4</u>	<u>\$ (0.78)</u>	<u>\$ 12.4</u>	<u>89.0</u>	<u>\$ 0.14</u>

Diluted earnings per share represent the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. These potential shares include dilutive stock options and unissued restricted stock awards. Potential common shares are also considered antidilutive in the event of a net loss from operations.

The following table summarizes the potential common shares not included in the computation of diluted earnings per share because their impact would have been antidilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Employee stock options and awards	2.8	0.5	2.0	1.5
Antidilutive employee stock options and awards excluded based on reporting a net loss for the period	0.5	0.4	0.9	—

6. DEBT

In connection with the Spin, Fortrea incurred indebtedness in an aggregate principal amount of approximately \$1,640.0, which consisted of borrowings under senior secured term loan facilities and senior secured notes. Fortrea also entered into a \$450.0 senior secured revolving credit facility. Fortrea used the proceeds from

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these debt transactions to make a cash distribution to Labcorp as consideration for the assets that were contributed to the Company in connection with the Spin.

The current portion of long-term debt at September 30, 2024 and December 31, 2023 consisted of the following:

	September 30, 2024	December 31, 2023
Current portion of senior secured term loan A facility due 2028	\$ —	\$ 25.0
Current portion of senior secured term loan B facility due 2030	—	5.7
Debt issuance discount and fees	—	(4.6)
Total short-term borrowings and current portion of long-term debt	<u>\$ —</u>	<u>\$ 26.1</u>

Long-term debt at September 30, 2024 and December 31, 2023 consisted of the following:

	September 30, 2024	December 31, 2023
7.5% senior notes due 2030	\$ 570.0	\$ 570.0
Senior secured term loan A due 2028	417.3	462.5
Senior secured term loan B due 2030	154.7	561.5
Debt issuance discount and fees	(17.5)	(28.1)
Total long-term debt	<u>\$ 1,124.5</u>	<u>\$ 1,565.9</u>

During the three and nine months ended September 30, 2024, the Company paid down \$0.0 and \$70.2, respectively, on our senior secured term loan A due 2028 (“term loan A”) and \$0.0 and \$412.5, respectively, on our senior secured term loan B due 2030 (“term loan B”). Additionally, in the second quarter of 2024, the Company wrote off \$12.2 of unamortized debt issuance costs associated with the pay down of debt, which were recorded in Interest expense in the condensed consolidated and combined statements of operations during the nine months ended September 30, 2024.

Senior Notes

On June 27, 2023, the Company issued \$570.0 aggregate principal amount of 7.50% senior notes due 2030 (the “Notes”). Interest on these notes is payable semi-annually on January 1 and July 1 of each year. Net proceeds from the offering of the Notes were \$560.2 after deducting expenses of the offering.

Credit Facilities

On June 30, 2023, Fortrea entered into a credit agreement (as amended, the “Credit Agreement”) providing for (i) a senior secured revolving credit facility in the principal amount of up to \$450.0; (ii) a five-year \$500.0 first lien senior secured term A loan facility; and (iii) a seven-year \$570.0 first lien senior secured term B loan facility. The initial revolving facility includes a \$75.0 swingline sub-facility and a \$75.0 letter of credit sub-facility.

The Company drew on the term A and term B loans on June 30, 2023. The net proceeds received for the term A and term B loans were \$491.8 and \$552.9, respectively after deducting underwriting discounts and other expenses. The term A and term B loans will mature on June 30, 2028 and June 30, 2030, respectively. The term loans accrue interest at a per annum rate equal to the sum of, at the option of the Company, a Base Rate or a Term SOFR Rate and the Applicable Margin as defined by the Credit Agreement. As of September 30, 2024, the effective interest rate on the term A loan and term B loan was 6.82% and 8.49%, respectively.

The revolving credit facility is permitted, subject to certain covenant restrictions, to be used for general corporate purposes, including working capital and capital expenditures. There were no balances outstanding on the Company’s current revolving credit facility as of September 30, 2024, and \$450.0 was available for borrowing as of September 30, 2024. No balances were outstanding as of December 31, 2023. As of September 30, 2024, the effective interest rate on the revolving credit facility was 6.82%, assuming one-month interest election. There is a commitment fee associated with the revolving credit facility of 0.35% (per annum and paid quarterly) and an annual \$0.1 agency fee (paid in quarterly installments). The credit facility matures on June 30, 2028.

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Under the Credit Agreement, the Company is subject to negative covenants limiting subsidiary indebtedness and certain other covenants typical for similarly rated borrowers, and the Company is required to maintain certain net leverage and interest coverage ratios. The Company is permitted to make adjustments, such as excluding certain costs, from the calculation of leverage and interest coverage ratios for compliance purposes. On May 3, 2024, the Company entered into an amendment to modify certain financial covenants for additional flexibility under the Credit Agreement. The Company was in compliance with all covenants in the Credit Agreement at September 30, 2024 and believes it will be in compliance with all covenants for a period of at least 12 months from the date these financial statements are issued.

There were no outstanding letters of credit under the Credit Agreement as of September 30, 2024.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Summary of Derivative Instruments

The Company addresses its exposure to market risks, principally the market risk associated with changes in interest rates and foreign currency exchange rates, through a controlled program of risk management that includes, from time to time, the use of derivative instruments such as foreign currency forward contracts and interest rate swap agreements. The Company does not hold or issue derivative instruments for trading purposes. The derivative instrument contracts are with major investment grade financial institutions and the Company does not anticipate any material non-performance by any of the counterparties. The Company does not believe that its exposure to market risk is material to the Company's financial position or results of operations.

The fair value of the Company's interest rate swaps and foreign currency forward contracts are determined based on observable market inputs (Level 2). The table below presents the fair value of the Company's derivatives on a gross basis and the balance sheet classification of those instruments:

	Balance Sheet Classification	Fair Value of Derivatives At			
		September 30, 2024		December 31, 2023	
		Asset	Liability	Asset	Liability
Derivatives designated as hedging instruments:					
Interest rate swaps	Accrued expenses and other	\$ 0.1	\$ (0.7)	\$ —	\$ —
	Other liabilities	—	(2.2)	0.7	(2.6)
Derivatives not designated as hedging instruments:					
Foreign currency forward contracts	Prepaid expenses and other	\$ 1.5	\$ —	\$ 0.8	\$ —
	Other current liabilities	—	(0.2)	—	—

The notional amounts of the Company's interest rate swaps and foreign currency forward contracts were \$150.0 and \$502.0 as of September 30, 2024 and \$150.0 and \$458.3 as of December 31, 2023, respectively.

The following table presents the pre-tax effects of cash flow hedges included in the Company's condensed consolidated and combined statements of comprehensive income (loss):

	Pre-Tax Gain (Loss) Included in Other Comprehensive Income			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest rate swaps	\$ (2.9)	\$ —	\$ 0.4	\$ —

The following table presents amounts reclassified out of accumulated other comprehensive loss and recognized in condensed consolidated and combined statements of operations:

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	Statement of Operations Classification	Amounts Reclassified from Other Comprehensive Loss into Earnings			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023
Deferred gain (loss) reclassified into earnings	Interest expense	\$ (0.4)	\$ —	\$ (1.2)	\$ —

The estimated amount of pre-tax net losses included in other comprehensive loss that is expected to be reclassified into earnings over the twelve months following September 30, 2024, is \$0.6.

Refer to *Note 9 - Preferred Stock and Common Shareholders' Equity* for the impact of the Company's derivative instruments included in accumulated other comprehensive loss.

The following table presents a summary of the loss for derivative contracts not designated as hedges included in the Company's condensed consolidated and combined statements of operations:

	Statement of Operations Classification	Gain (Loss) on Derivatives Recognized in Earnings			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023
Foreign currency forward contracts	Foreign exchange gain (loss)	\$ 1.0	\$ —	\$ 0.6	\$ —

8. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is involved from time to time in various claims and legal actions arising in the ordinary course of business. These matters may include commercial and contract disputes, employee-related matters, and professional liability claims. In accordance with FASB ASC 450, *Contingencies*, the Company establishes reserves for claims and legal actions when those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, the Company does not establish reserves. The Company does not believe that any liabilities related to such claims and legal actions will have a material effect on its financial condition, results of operations or cash flows.

The Company believes that it is in compliance in all material respects with all statutes, regulations, and other requirements applicable to its drug development support services. The drug development industry is, however, subject to extensive regulation, and the courts have not interpreted many of the applicable statutes and regulations. Therefore, the applicable statutes and regulations could be interpreted or applied by a prosecutorial, regulatory, or judicial authority in a manner that would adversely affect the Company. Potential sanctions for violation of these statutes and regulations include significant civil and criminal penalties, fines, the loss of various licenses, certificates and authorizations, and/or additional liabilities from third-party claims.

Fortrea obtains insurance coverage for certain catastrophic exposures as well as those risks required to be insured by law or contract. The Company is covered by those policies but is responsible for the uninsured portion of losses related primarily to general, professional and vehicle liability, certain medical costs and workers' compensation. The self-insured retentions are on a per-occurrence basis without any aggregate annual limit. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregated liability of claims incurred.

It was previously disclosed that there was an issue in a customer's trial caused by a third-party vendor not affiliated with the Company. As part of working with this customer, the Company agreed to make concessions and provide discounts and other consideration to the customer in the amount of \$12.5 as part of a multi-party solution to facilitate the ongoing trials, of which \$0.9 and \$3.0 was recorded as a reduction of revenue during the three and nine months ended September 30, 2024, respectively, and \$8.7 was recorded as a reduction in revenue in the fourth quarter of 2023.

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9. PREFERRED STOCK AND COMMON SHAREHOLDERS' EQUITY

The Company is authorized to issue up to 265.0 shares of common stock, par value \$0.001 per share. The Company is authorized to issue up to 30.0 shares of preferred stock, par value \$0.001 per share. There were no preferred shares outstanding as of September 30, 2024 and December 31, 2023.

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) are as follows:

	Foreign Currency Translation Adjustments	Net Benefit Plan Adjustments	Unrealized Gain (Loss) on Derivative Instruments	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2023	\$ (206.7)	\$ (7.4)	\$ (1.4)	\$ (215.5)
Current quarter foreign exchange adjustments	(27.7)	—	—	(27.7)
Unrealized gain on derivative instrument	—	—	2.5	2.5
Amounts reclassified from other accumulated income (loss)	—	—	(0.4)	(0.4)
Tax effect of adjustments	—	—	(0.5)	(0.5)
Balance at March 31, 2024	(234.4)	(7.4)	0.2	(241.6)
Current quarter foreign exchange adjustments	(7.7)	—	—	(7.7)
Unrealized gain on derivative instrument	—	—	0.8	0.8
Amounts reclassified from other accumulated income (loss)	—	—	(0.4)	(0.4)
Tax effect of adjustments	—	—	(0.1)	(0.1)
Balance at June 30, 2024	(242.1)	(7.4)	0.5	(249.0)
Current quarter foreign exchange adjustments	73.4	—	—	73.4
Unrealized gain on derivative instrument	—	—	(2.9)	(2.9)
Amounts reclassified from other accumulated income (loss)	—	—	(0.4)	(0.4)
Tax effect of adjustments	—	—	0.8	0.8
Balance at September 30, 2024	\$ (168.7)	\$ (7.4)	\$ (2.0)	\$ (178.1)

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	Foreign Currency Translation Adjustments	Net Benefit Plan Adjustments	Unrealized Gain (Loss) on Derivative Instruments	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2022	\$ (266.0)	\$ (8.8)	\$ —	\$ (274.8)
Current quarter foreign exchange adjustments	19.1	—	—	19.1
Tax effect of adjustments	—	—	—	—
Balance at March 31, 2023	(246.9)	(8.8)	—	(255.7)
Current quarter foreign exchange adjustments	29.9	—	—	29.9
Net benefit plan adjustments	—	2.1	—	2.1
Tax effect of adjustments	—	—	—	—
Balance at June 30, 2023	(217.0)	(6.7)	—	(223.7)
Current quarter foreign exchange adjustments	(55.6)	—	—	(55.6)
Unrealized gain on derivative instrument	—	—	1.6	1.6
Tax effect of adjustments	—	—	(0.4)	(0.4)
Balance at September 30, 2023	\$ (272.6)	\$ (6.7)	\$ 1.2	\$ (278.1)

10. INCOME TAXES

For the three months ended September 30, 2024 and 2023, the Company recognized income tax benefits of \$17.3 and \$5.8, respectively, which resulted in effective tax rates of 48.3% and 26.5%, respectively. The effective tax rate for the three months ended September 30, 2024 was higher than the Company's statutory tax rate primarily due to the geographic mix of earnings, partially offset by a forecasted valuation allowance on the deferred tax asset for the carryforward of disallowed interest expense, which impacts the annualized effective tax rate of the Company by approximately 14.8%. This deferred tax asset exists due to limitations imposed under the Internal Revenue Code on the annual deductibility of business interest expense. The effective tax rate for the three months ended September 30, 2023 was higher than the Company's statutory tax rate primarily due to the geographic mix of earnings partially offset by U.S. taxes on foreign earnings.

For the nine months ended September 30, 2024, the Company recognized an income tax benefit of \$2.5 resulting in an effective tax rate of 1.2%. For the nine months ended September 30, 2023, the Company recognized income tax expense of \$7.3 resulting in an effective tax rate of 30.2% for the nine months ended September 30, 2023. The effective tax rate for the nine months ended September 30, 2024 was lower than the Company's statutory tax rate primarily due to the valuation allowance recognized on the deferred tax asset for the carryforward of disallowed interest expense and non-deductible compensation expenses. The effective tax rate for the nine months ended September 30, 2023 was higher than the Company's statutory tax rate primarily due to the geographic mix of earnings partially offset by U.S. taxes on foreign earnings.

During the nine months ended September 30, 2024, the amount of net unrecognized tax positions increased by less than \$0.1. Management believes it is unlikely that the unrecognized income tax benefits and interest will decrease during the next 12 months.

11. STOCK COMPENSATION PLANS

The Company granted 0.1 and 1.1 restricted stock units during the three and nine months ended September 30, 2024, respectively, with a weighted average grant date fair value of \$21.39 and \$37.62 per share.

Total stock-based compensation expense and the associated income tax benefits recognized by the Company in the condensed consolidated and combined statements of operations were as follows:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Direct costs	\$ 11.2	\$ 6.6	\$ 32.5	\$ 15.4
Selling, general and administrative expenses	1.8	3.8	9.4	10.1
Total stock compensation expense	\$ 13.0	\$ 10.4	\$ 41.9	\$ 25.5
Income tax benefits	\$ 2.1	\$ 1.7	\$ 6.4	\$ 4.4

12. TRANSACTIONS WITH FORMER PARENT

Prior to the Separation on June 30, 2023, the condensed consolidated and combined financial statements were prepared on a standalone basis and were derived from the condensed consolidated financial statements and accounting records of Labcorp. The following discussion summarizes activity between the Company and Labcorp. This activity, which occurred prior to the Separation, is included in the condensed combined financial statements in 2023.

Allocation of General Corporate and Other Expenses

Prior to the Separation, the Company's condensed consolidated and combined statements of operations included expenses for certain centralized functions and other programs provided and administered by Labcorp that were charged directly to the Company. In addition, for purposes of preparing these condensed consolidated and combined financial statements on a carve-out basis, a portion of Labcorp's total corporate expenses were allocated to the Company. See *Note 1 - Basis of Financial Statement Presentation* for a discussion of the methodology used to allocate corporate-related costs for purposes of preparing these financial statements on a carve-out basis. Some of these services continue to be provided by Labcorp to the Company on a temporary basis under the Transition Services Agreement with Labcorp.

The following table is a summary of corporate and other allocations for the three and nine months ended September 30, 2023:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Direct costs	\$ —	\$ 86.6
Selling, general and administrative expenses	—	105.0
Restructuring and other charges	—	0.2
Foreign exchange gain (loss)	—	2.2
Corporate and other allocations	\$ —	\$ 194.0

Included in the aforementioned amounts are \$0.0 and \$147.6 related to costs for certain centralized functions and programs provided and administered by Labcorp that were charged directly to the Company for the three and nine months ended September 30, 2023, respectively. In addition, a portion of Labcorp's total corporate expenses were allocated to the Company for services from Labcorp. These costs were \$0.0 and \$46.4 for the three and nine months ended September 30, 2023, respectively. The allocations of foreign exchange gain (loss) represent the allocation of the results of hedging activities performed by Labcorp on behalf of the Company prior to the Separation.

The Company had arrangements with third parties where the services are subcontracted to Labcorp (and its affiliates that were not part of the transaction). The Company's direct costs include services purchased from Labcorp for commercial contracts totaling \$0.0 and \$48.8 for the three and nine months ended September 30, 2023, respectively.

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Hedging Activities

Prior to the Separation, the Company did not enter into any derivative contracts with external counterparties. However, Labcorp entered into foreign currency forward contracts with external counterparties to hedge certain foreign currency transactions with exposure predominantly to the Euro and British Pound. These contracts did not qualify for hedge accounting and the changes in fair value are recorded directly to earnings. Earnings related to these contracts were included in the condensed consolidated and combined statements of operations as part of corporate allocations. Refer to *Note 7 - Derivative Instruments and Hedging Activities*, for information regarding derivative contracts entered into after Separation.

Net Transfers To and From Labcorp

Net transfers to and from Labcorp are included within Former Parent company investment on the condensed consolidated and combined statements of changes in equity. The components of the transfers to and from Labcorp during the three and nine months ended September 30, 2023 were as follows:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Special Payment to Former Parent	\$ —	\$ (1,595.0)
General financing activities	—	(286.8)
Corporate allocations	—	184.9
Stock compensation expense	—	10.2
Total net transfers (to) from Former Parent	<u>\$ —</u>	<u>\$ (1,686.7)</u>

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine Months Ended September 30,	
	2024	2023
Supplemental schedule of cash flow information:		
Cash paid during period for:		
Interest	\$ 98.3	\$ 22.9
Income taxes, net of refunds	56.8	21.9
Disclosure of non-cash investing activities:		
Change in accrued property, plant and equipment	(0.5)	(1.5)
Fair value of contingent consideration related to the sale of assets	39.6	—
Disclosure of non-cash transfers to (from) Parent:		
Change in right-of-use lease assets	—	13.9
Change in property, plant and equipment, net	—	(27.7)

FORTREA HOLDINGS INC.
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14. IMMATERIAL FINANCIAL RESTATEMENT AND RECLASSIFICATIONS TO PRIOR PERIOD FINANCIAL STATEMENTS

As discussed in *Note 1 - Basis of Financial Statement Presentation* the Company identified errors in the consolidated and combined financial statements of prior periods during the first quarter of 2024. A summary of the corrections to the impacted financial statement line items in the previously issued Consolidated Balance Sheet as of December 31, 2023, and the Consolidated and Combined Statements of Operations, Comprehensive Income, Changes in Stockholders' Equity, and Cash Flows as of and for the years ended December 31, 2023 and 2022, included in the previously filed Annual Report on Form 10-K, was provided in the previously filed Quarterly Report on Form 10-Q for the three months ended March 31, 2024.

A summary of the corrections to the impacted financial statement line items in the Company's previously issued Condensed Consolidated and Combined Statements of Operations, Comprehensive Income, Changes in Stockholders' Equity, and Cash Flows for the three and nine month periods ended September 30, 2023 and Consolidated Balance Sheet as of December 31, 2023, which were previously filed in 2023, are also provided below.

FORTREA HOLDINGS INC.
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CONSOLIDATED BALANCE SHEET

	As of December 31, 2023				
	As Previously Reported	Adjustments	As Restated	Discontinued Operations Reclassifications	As Restated and Reclassified
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 108.6	\$ —	\$ 108.6	\$ —	\$ 108.6
Accounts receivable and unbilled services, net	1,052.1	(3.2)	1,048.9	(60.4)	988.5
Prepaid expenses and other	92.4	0.9	93.3	(8.7)	84.6
Current assets held for sale from discontinued operations	—	—	—	69.1	69.1
Total current assets	1,253.1	(2.3)	1,250.8	—	1,250.8
Property, plant and equipment, net	220.9	(7.7)	213.2	(40.6)	172.6
Goodwill, net	2,029.3	(13.4)	2,015.9	(276.5)	1,739.4
Intangible assets, net	771.2	—	771.2	(43.1)	728.1
Deferred income taxes	3.2	—	3.2	—	3.2
Other assets, net	79.5	(1.2)	78.3	(8.6)	69.7
Long-term assets held for sale from discontinued operations	—	—	—	368.8	368.8
Total assets	\$ 4,357.2	\$ (24.6)	\$ 4,332.6	\$ —	\$ 4,332.6
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	\$ 132.8	\$ 4.6	\$ 137.4	\$ (4.5)	\$ 132.9
Accrued expenses and other current liabilities	356.1	(3.3)	352.8	(17.3)	335.5
Unearned revenue	241.4	1.2	242.6	(28.4)	214.2
Current portion of long-term debt	26.1	—	26.1	—	26.1
Short-term operating lease liabilities	19.5	—	19.5	(2.3)	17.2
Current liabilities held for sale from discontinued operations	—	—	—	52.5	52.5
Total current liabilities	775.9	2.5	778.4	—	778.4
Long-term debt, less current portion	1,565.9	—	1,565.9	—	1,565.9
Operating lease liabilities	66.5	—	66.5	(3.7)	62.8
Deferred income taxes and other tax liabilities	148.8	(1.1)	147.7	—	147.7
Other liabilities	61.3	(1.3)	60.0	(27.9)	32.1
Long-term liabilities held for sale from discontinued operations	—	—	—	31.6	31.6
Total liabilities	2,618.4	0.1	2,618.5	—	2,618.5
Commitments and contingent liabilities					
Equity					
Former parent investment	—	—	—	—	—
Common stock	0.1	—	0.1	—	0.1
Additional paid-in capital	2,006.2	(8.2)	1,998.0	—	1,998.0
Accumulated deficit	(49.1)	(19.4)	(68.5)	—	(68.5)
Accumulated other comprehensive loss	(218.4)	2.9	(215.5)	—	(215.5)
Total equity	1,738.8	(24.7)	1,714.1	—	1,714.1
Total liabilities and equity	\$ 4,357.2	\$ (24.6)	\$ 4,332.6	\$ —	\$ 4,332.6

FORTREA HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended September 30, 2023					
	As Previously Reported	Adjustments	As Restated	Discontinued Operations Reclassifications	Change in Basis of Presentation	As Restated and Reclassified
Revenues	\$ 776.4	\$ 0.8	\$ 777.2	\$ (63.4)	\$ —	\$ 713.8
Costs and expenses:						
Direct costs, exclusive of depreciation and amortization	647.3	1.4	648.7	(44.8)	(40.1)	563.8
Selling, general and administrative expenses, exclusive of depreciation and amortization	78.9	(0.1)	78.8	(12.1)	40.1	106.8
Depreciation and amortization	24.6	0.4	25.0	(2.2)	—	22.8
Restructuring and other charges	11.6	—	11.6	(1.5)	—	10.1
Total costs and expenses	762.4	1.7	764.1	(60.6)	—	703.5
Operating income (loss)	14.0	(0.9)	13.1	(2.8)	—	10.3
Other income (expense):						
Interest expense	(34.6)	—	(34.6)	—	—	(34.6)
Foreign exchange gain (loss)	(0.9)	(0.2)	(1.1)	(0.1)	—	(1.2)
Other, net	3.6	—	3.6	—	—	3.6
Income (loss) before income taxes	(17.9)	(1.1)	(19.0)	(2.9)	—	(21.9)
Income tax (benefit) expense	(4.8)	(0.2)	(5.0)	(0.8)	—	(5.8)
Net loss	\$ (13.1)	\$ (0.9)	\$ (14.0)	\$ (2.1)	\$ —	\$ (16.1)
Earnings (loss) per common share:						
Basic - continuing operations	\$ (0.15)		\$ (0.16)			\$ (0.18)
Basic - discontinued operations	—		—			0.02
Basic	\$ (0.15)		\$ (0.16)			\$ (0.16)
Diluted - continuing operations	\$ (0.15)		\$ (0.16)			\$ (0.18)
Diluted - discontinued operations	—		—			0.02
Diluted	\$ (0.15)		\$ (0.16)			\$ (0.16)

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CONDENSED CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS

	Nine Months Ended September 30, 2023					
	As Previously Reported	Adjustments	As Restated	Discontinued Operations Reclassifications	Change in Basis of Presentation	As Restated and Reclassified
Revenues	\$ 2,333.6	\$ (2.8)	\$ 2,330.8	\$ (198.0)	\$ —	\$ 2,132.8
Costs and expenses:						
Direct costs, exclusive of depreciation and amortization	1,932.9	0.2	1,933.1	(135.2)	(123.9)	1,674.0
Selling, general and administrative expenses, exclusive of depreciation and amortization	237.7	(0.3)	237.4	(39.9)	123.9	321.4
Depreciation and amortization	72.5	1.1	73.6	(6.5)	—	67.1
Restructuring and other charges	16.7	—	16.7	(2.4)	—	14.3
Total costs and expenses	2,259.8	1.0	2,260.8	(184.0)	—	2,076.8
Operating income (loss)	73.8	(3.8)	70.0	(14.0)	—	56.0
Other income (expense):						
Interest expense	(35.3)	—	(35.3)	—	0.1	(35.2)
Foreign exchange gain (loss)	(1.0)	(0.4)	(1.4)	0.2	—	(1.2)
Other, net	4.6	—	4.6	0.1	(0.1)	4.6
Income (loss) before income taxes	42.1	(4.2)	37.9	(13.7)	—	24.2
Income tax (benefit) expense	9.5	(0.9)	8.6	(1.3)	—	7.3
Net income	\$ 32.6	\$ (3.3)	\$ 29.3	\$ (12.4)	\$ —	\$ 16.9
Earnings per common share:						
Basic - continuing operations	\$ 0.37		\$ 0.33			\$ 0.19
Basic - discontinued operations	—		—			0.14
Basic	\$ 0.37		\$ 0.33			\$ 0.33
Diluted - continuing operations	\$ 0.37		\$ 0.33			\$ 0.19
Diluted - discontinued operations	—		—			0.14
Diluted	\$ 0.37		\$ 0.33			\$ 0.33

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30, 2023		
	As Previously Reported	Adjustments	As Restated
Net loss	\$ (13.1)	\$ (0.9)	\$ (14.0)
Foreign currency translation adjustments	(56.0)	0.4	(55.6)
Unrealized gain on derivative instruments	1.6	—	1.6
Other comprehensive loss, before tax	(54.4)	0.4	(54.0)
Income tax expense related to items of comprehensive loss	(0.4)	—	(0.4)
Other comprehensive loss, net of tax	(54.8)	0.4	(54.4)
Comprehensive loss	<u>\$ (67.9)</u>	<u>\$ (0.5)</u>	<u>\$ (68.4)</u>

CONDENSED CONSOLIDATED AND COMBINED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Nine Months Ended September 30, 2023		
	As Previously Reported	Adjustments	As Restated
Net income	\$ 32.6	\$ (3.3)	\$ 29.3
Foreign currency translation adjustments	(7.6)	1.0	(6.6)
Net benefit plan adjustments	2.1	—	2.1
Unrealized gain on derivative instruments	1.6	—	1.6
Other comprehensive loss, before tax	(3.9)	1.0	(2.9)
Income tax expense related to items of comprehensive loss	(0.4)	—	(0.4)
Other comprehensive loss, net of tax	(4.3)	1.0	(3.3)
Comprehensive income	<u>\$ 28.3</u>	<u>\$ (2.3)</u>	<u>\$ 26.0</u>

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CONDENSED CONSOLIDATED AND COMBINED STATEMENT OF CHANGES IN EQUITY

	Common Stock		Additional Paid-in Capital	Former Parent Investment	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amounts					
<i>Previously reported</i>							
Balance at December 31, 2022	—	\$ —	\$ —	\$ 3,618.6	\$ —	\$ (276.0)	\$ 3,342.
Net income	—	—	—	17.4	—	—	17.
Other comprehensive income, net of tax	—	—	—	—	—	18.9	18.
Net transfers from Former Parent	—	—	—	26.6	—	—	26.
Balance at March 31, 2023	—	—	—	3,662.6	—	(257.1)	3,405.
Net income	—	—	—	28.3	—	—	28.
Other comprehensive income, net of tax	—	—	—	—	—	31.6	31.
Special payment to Former Parent	—	—	—	(1,595.0)	—	—	(1,595.)
Net transfers to Former Parent	—	—	—	(119.4)	—	—	(119.)
Reclassification of Former Parent investment to additional paid-in capital	—	—	1,976.5	(1,976.5)	—	—	—
Issuance of common stock	88.8	0.1	—	—	—	—	0.
Balance at June 30, 2023	88.8	0.1	1,976.5	—	—	(225.5)	1,751.
Net loss	—	—	—	—	(13.1)	—	(13.)
Other comprehensive loss, net of tax	—	—	—	—	—	(54.8)	(54.)
Stock compensation	—	—	11.1	—	—	—	11.
Balance at September 30, 2023	88.8	\$ 0.1	\$ 1,987.6	\$ —	\$ (13.1)	\$ (280.3)	\$ 1,694.
<i>Adjustments</i>							
Balance at December 31, 2022	—	\$ —	\$ —	\$ (3.8)	\$ —	\$ 1.2	\$ (2.)
Net income	—	—	—	(4.9)	—	—	(4.)
Other comprehensive income, net of tax	—	—	—	—	—	0.2	0.
Net transfers from Former Parent	—	—	—	4.6	—	—	4.
Balance at March 31, 2023	—	—	—	(4.1)	—	1.4	(2.)
Net income	—	—	—	2.5	—	—	2.
Other comprehensive income, net of tax	—	—	—	—	—	0.4	0.
Net transfers to Former Parent	—	—	—	(3.5)	—	—	(3.)
Reclassification of Former Parent investment to additional paid-in capital	—	—	(5.1)	5.1	—	—	—
Balance at June 30, 2023	—	—	(5.1)	—	—	1.8	(3.)
Net loss	—	—	—	—	(0.9)	—	(0.)
Other comprehensive loss, net of tax	—	—	—	—	—	0.4	0.
Balance at September 30, 2023	—	\$ —	\$ (5.1)	\$ —	\$ (0.9)	\$ 2.2	\$ (3.)

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	<u>Common Stock</u>				Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amounts	Additional Paid-in Capital	Former Parent Investment			
<i>As Restated</i>							
Balance at December 31, 2022	—	\$ —	\$ —	\$ 3,614.8	\$ —	\$ (274.8)	\$ 3,340.0
Net income	—	—	—	12.5	—	—	12.5
Other comprehensive income, net of tax	—	—	—	—	—	19.1	19.1
Net transfers from Former Parent	—	—	—	31.2	—	—	31.2
Balance at March 31, 2023	—	—	—	3,658.5	—	(255.7)	3,402.8
Net income	—	—	—	30.8	—	—	30.8
Other comprehensive income, net of tax	—	—	—	—	—	32.0	32.0
Special payment to Former Parent	—	—	—	(1,595.0)	—	—	(1,595.0)
Net transfers to Former Parent	—	—	—	(122.9)	—	—	(122.9)
Reclassification of Former Parent investment to additional paid-in capital	—	—	1,971.4	(1,971.4)	—	—	—
Issuance of common stock	88.8	0.1	—	—	—	—	0.1
Balance at June 30, 2023	88.8	0.1	1,971.4	—	—	(223.7)	1,747.8
Net loss	—	—	—	—	(14.0)	—	(14.0)
Other comprehensive loss, net of tax	—	—	—	—	—	(54.4)	(54.4)
Stock compensation	—	—	11.1	—	—	—	11.1
Balance at September 30, 2023	88.8	\$ 0.1	\$ 1,982.5	\$ —	\$ (14.0)	\$ (278.1)	\$ 1,690.5

FORTREA HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

CONDENSED CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS

	Nine Months Ended September 30, 2023		
	As Previously Reported	Adjustments	As Restated
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 32.6	\$ (3.3)	\$ 29.3
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	72.5	1.1	73.6
Stock compensation	27.2	—	27.2
Operating lease right-of-use asset expense	20.9	—	20.9
Goodwill and other asset impairments	—	—	—
Deferred income taxes	(12.7)	(0.6)	(13.3)
Other, net	3.5	—	3.5
Change in assets and liabilities (net of effects of acquisitions):			
Increase in accounts receivable and unbilled services, net	(26.6)	3.5	(23.1)
Decrease in prepaid expenses and other	(3.1)	3.7	0.6
Increase in accounts payable	47.3	(1.4)	45.9
Decrease in deferred revenue	(6.5)	0.5	(6.0)
Decrease in accrued expenses and other	(0.1)	(8.5)	(8.6)
Net cash provided by operating activities	155.0	(5.0)	150.0
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(30.9)	—	(30.9)
Proceeds from sale of assets	8.1	—	8.1
Net cash used for investing activities	(22.8)	—	(22.8)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from revolving credit facilities	24.0	—	24.0
Payments on revolving credit facilities	(24.0)	—	(24.0)
Proceeds from term loans	1,061.4	—	1,061.4
Proceeds from issuance of senior notes	570.0	—	570.0
Debt issuance costs	(26.4)	—	(26.4)
Principal payments of long-term debt	(7.7)	—	(7.7)
Special payment to Former Parent	(1,595.0)	—	(1,595.0)
Net transfers from Parent	(136.7)	1.3	(135.4)
Net cash used for financing activities	(134.4)	1.3	(133.1)
Effect of exchange rate changes on cash and cash equivalents	(2.3)	1.6	(0.7)
Net change in cash and cash equivalents	(4.5)	(2.1)	(6.6)
Cash and cash equivalents at beginning of period	112.0	(1.6)	110.4
Cash and cash equivalents at end of period	\$ 107.5	\$ (3.7)	\$ 103.8

The cash flows related to discontinued operations have not been segregated and are included in the adjusted and restated statements of cash flows included above.

FORTREA HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (in millions)

The following discussion and analysis is intended to provide a summary of significant factors relevant to the financial performance and condition of Fortrea Holdings Inc., which we refer to in this discussion and analysis as “Fortrea,” the “Company,” “our” and “we”. Prior to the spin-off (the “Spin” or “the Separation”), Fortrea existed and functioned as part of Laboratory Corporation of America Holdings, which we refer to in this discussion and analysis as “Labcorp” or “Former Parent.” The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited combined financial statements and corresponding notes included in our Annual Report on Form 10-K for the year ended December 31, 2023 (the “Form 10-K”) and our unaudited condensed consolidated and combined financial statements and corresponding notes in Item 1. “Financial Statements.” Unless otherwise noted, the following information and discussion relates to our continuing operations.

Cautionary Statement Concerning Forward-Looking Statements

This Form 10-Q and other materials we have filed or will file with the Securities and Exchange Commission (the “SEC”) include or will include forward-looking statements. Some of the forward-looking statements can be identified by the use of terms such as “believes,” “expects,” “may,” “will,” “should,” “could,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” “anticipates,” or other comparable terms. These forward-looking statements include all matters that are not related to present facts or current conditions or that are not historical facts. They appear in a number of places throughout this Form 10-Q and include statements regarding our intentions, beliefs, or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects and growth strategies, and the industries in which we operate and include, without limitation, statements relating to our future performance.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond our control. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry development may differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. In addition, even if our results of operations, financial condition and liquidity, and industry development are consistent with the forward-looking statements contained in this Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods. A number of important factors could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including the risks and uncertainties discussed in the “Risk Factors” Section of our Form 10-K, as filed with the SEC. Factors that could cause actual results to differ from those reflected in forward-looking statements relating to our operations and business include, among other things: the risk that we may not realize some or all of the benefits expected to result from the Spin, or that such benefits are delayed; risks and consequences that are a result of the Spin; the impacts of becoming an independent public company; our reliance on Labcorp to provide financial reporting and other financial and accounting information for periods prior to the Spin through the end of the relevant transition agreements, as well as IT, accounting, finance, legal, human resources, and other services critical to our businesses; our dependence on third parties generally to provide services critical to our businesses throughout the transition period and beyond; the risk that establishment of our accounting, enterprise resource planning, and other management systems post the transition period could cost more or take longer than anticipated; our identification of existing material weaknesses in our internal control over financial reporting; the impact of our rebranding; our ability to successfully implement our business strategies and execute our long-term value creation strategy; risks and expenses associated with our international operations and currency fluctuations; our customer or therapeutic area concentrations; any further deterioration in the macroeconomic environment, which could lead to defaults or cancellations by our customers; the risk that our backlog and net new business may not grow to the extent we anticipate or over the time period we anticipate, that such measures may not be indicative of our future revenues and that we might not realize all of the anticipated future revenue reflected in our backlog; our ability to generate sufficient net new business awards, or the risk that net new business awards are delayed, terminated, reduced in scope, or fail to go to contract; the risk that we may underprice our contracts, overrun our cost estimates, or fail to receive approval for, or experience delays in

documentation of change orders; our ability to realize the full purchase price and benefits of the disposition of the Endpoint and Patient Access businesses; and other factors described in the Form 10-K and from time to time in documents that we file with the SEC.

All forward-looking statements are made only as of the date of this Form 10-Q, and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data. For a further discussion of the risks relating to our business, see the “Risk Factors” section of our Annual Report on Form 10-K.

Company Overview

Fortrea, a Delaware corporation incorporated on January 31, 2023, is a leading global contract research organization (“CRO”) providing biopharmaceutical product and medical device development services to pharmaceutical, biotechnology and medical device customers. We offer customers highly flexible delivery models that include Full Service, Functional Service Provider (“FSP”), and Hybrid Service structures. We have a rich history of providing clinical development services for over 30 years across more than 20 therapeutic areas, first as Covance and later as Labcorp Drug Development. On June 30, 2023, we completed the Spin from Labcorp. We leverage our global scale, scientific expertise, clinical data insights, technology innovation, industry network and decades of experience as a standalone company and as a business unit prior to the Spin to deliver tailored solutions to our customers. With what we believe is a distinctive market offering, Fortrea meets growing global demand for clinical development services.

Our team of approximately 15,500 employees conducts operations in approximately 100 countries and delivers comprehensive phase I – IV clinical trial management, clinical pharmacology and consulting services for our customers. Our offering is scaled to deliver focused and agile solutions to customers globally, streamlining the biopharmaceutical product and medical device development process.

Separation from Labcorp

On June 30, 2023, we completed the Spin from Labcorp through a pro-rata distribution of one share of Fortrea common stock for every share of Labcorp common stock held at the close of business on the record date of June 20, 2023. Fortrea began to trade as a separate public company (NASDAQ: FTRE) on July 3, 2023.

Incremental Independent Public Company Expenses

The condensed consolidated and combined statements of operations include costs for certain centralized functions and programs provided and administered by Labcorp that were allocated to us in the periods presented prior to the Spin. These centralized functions and programs include, but are not limited to, legal, tax, treasury, risk management, sales expenses, IT, human resources, finance, supply chain, executive leadership and stock-based compensation.

These expenses were allocated to us based on direct usage when identifiable or, when not directly identifiable, on the basis of proportional net revenues or headcount or another reasonable driver, as applicable. We consider the basis on which the expenses have been allocated to reasonably reflect the utilization of services provided to, or the benefit received by, us during the periods presented. However, the allocations may not reflect the expenses we would have incurred as an independent company for the periods presented and may not be representative of future expenses that may be incurred. Actual costs that may have been incurred if we had been a standalone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as IT and infrastructure. For a period following the Separation, however, some of these functions are provided by Labcorp under the Transition Services Agreement.

The actual costs of services represented by these allocations may vary significantly from the amounts allocated to us in the accompanying financial statements.

Sale of Assets Relating to the Enabling Services Segment

On March 9, 2024, the Company, together with its wholly-owned subsidiary, Fortrea Inc. (the “Seller”), entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Endeavor Buyer LLC, an affiliate of Arsenal Capital Partners, pursuant to which the Seller agreed to sell, and to cause its affiliates to sell, certain assets relating to its Enabling Services Segment (the “Transaction”), including the sale of equity interests of Fortrea Patient Access Inc. and its subsidiaries and Endpoint Clinical, Inc. and its subsidiaries. The final adjusted purchase price for the Transaction was \$340.0, subject to customary purchase price adjustments, with \$295.0 paid at closing and \$45.0 to be paid upon achievement of certain transition-related milestones, which includes certain services provided through a Transition Services Agreement. The Transaction closed during the second quarter of 2024. The decision to sell such assets relating to the Enabling Services Segment represented a strategic shift that had a significant effect on the Company's results and operations and assets and liabilities for the periods presented. As a result, the Company has classified the assets related to the Enabling Services Segment as assets from discontinued operations and liabilities from discontinued operations on the condensed consolidated balance sheet as of December 31, 2023. The operations of the Enabling Services Segment have been classified as income or loss from discontinued operations on the condensed consolidated and combined statements of operations for all periods presented.

Backlog and Net New Business

Our backlog consists of anticipated future revenue from business awards that either have not started, or that are in process and have not been completed. Our backlog also reflects any cancellation or adjustment activity related to these awards. The average duration of our contracts will fluctuate from period to period based on the contracts comprising our backlog at any given time. The majority of our contracts contain early termination provisions that typically require notice periods ranging from 30 to 90 days. We adjust backlog for foreign currency fluctuations and exclude from backlog amounts that have been recognized as revenue in our statements of operations. Our backlog was \$7.6 billion as of September 30, 2024.

We do not believe that, as a sole measure, our backlog is a consistent indicator of future revenue because it has been, and likely will continue to be, affected by a number of factors, including the variable size and duration of projects, many of which are performed over several years, and changes to the scope of work during the course of projects. Additionally, projects may be canceled or delayed by the customer or regulatory authorities. We generally do not have a contractual right to the full amount of the contract award reflected in our backlog. If a customer cancels a contract, we generally will be reimbursed for the costs we have incurred. For a further discussion of the risks relating to our business, see the “Risk Factors” section of our Annual Report on Form 10-K.

RESULTS OF CONTINUING OPERATIONS

Three and Nine Months Ended September 30, 2024 compared with Three and Nine Months Ended September 30, 2023

The following tables present the financial measures that management considers to be the most significant indicators of the Company's performance.

Revenues

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Revenues	\$ 674.9	\$ 713.8	(5.4)%	\$ 1,999.4	\$ 2,132.8	(6.3)%

The Company's revenues for the three months ended September 30, 2024 were \$674.9, a decrease of 5.4% from revenues of \$713.8 in the corresponding period in 2023. The change in revenues was due to a decrease in organic revenues of 5.7%, partially offset by favorable foreign currency translation of 0.2%. The Company defines organic growth as the change in revenues excluding the year over year impact of acquisitions, divestitures and currency. The 5.7% decrease in organic revenues was primarily driven by decreased pass through costs and lower service revenues resulting from the quantity and burn rate of new business wins pre-Spin, along with the mix of later stage and longer duration studies in our portfolio.

The Company's revenues for the nine months ended September 30, 2024 were \$1,999.4, a decrease of 6.3% from revenues of \$2,132.8 in the corresponding period in 2023. The change in revenues was due to a decrease in organic revenues. The 6.3% decrease in organic revenues was primarily driven by lower service revenues resulting from the quantity and burn rate of new business wins pre-Spin, the mix of later stage and longer duration studies and decreased pass through costs.

Direct Costs, Exclusive of Depreciation and Amortization

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Direct costs	\$ 526.6	\$ 563.8	(6.6)%	\$ 1,606.1	\$ 1,674.0	(4.1)%
Direct costs as a % of revenues	78.0 %	79.0 %		80.3 %	78.5 %	

Direct costs decreased 6.6% during the three months ended September 30, 2024 as compared with the corresponding period in 2023. Direct costs decreased as a percentage of revenues to 78.0% during the three months ended September 30, 2024 as compared to 79.0% in the corresponding period in 2023. The decrease in direct costs was primarily due to lower headcount as well as lower pass through costs, partially offset by an increase in stock compensation and professional fees.

Direct costs decreased 4.1% during the nine months ended September 30, 2024 as compared with the corresponding period in 2023. Direct costs increased as a percentage of revenues to 80.3% during the nine months ended September 30, 2024 as compared to 78.5% in the corresponding period in 2023. The decrease in direct costs was primarily due to lower headcount as well as lower pass through costs, partially offset by an increase in stock compensation and professional fees.

Selling, General and Administrative Expenses, Exclusive of Depreciation and Amortization

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Selling, general and administrative expenses	\$ 136.3	\$ 106.8	27.6 %	\$ 412.6	\$ 321.4	28.4 %

Selling, general and administrative expenses consist primarily of administrative payroll and related benefit charges, information technology costs, other facility charges, advertising and promotional expenses, administrative travel and credit loss provisions. Selling, general and administrative expenses increased by 27.6% during the three months ended September 30, 2024 as compared with the corresponding period in 2023. The increase was primarily due to an increase in professional fees and other costs to support the exit of the Transition Services Agreement with Labcorp and personnel and information technology costs as a stand-alone company.

Selling, general and administrative expenses increased by 28.4% during the nine months ended September 30, 2024 as compared with the corresponding period in 2023. The increase was primarily due to an increase in professional fees and other costs to support the exit of the Transition Services Agreement with Labcorp and personnel and information technology costs as a stand-alone company, partially offset by the removal of Former Parent corporate allocations.

Depreciation Expense

	Three Months Ended September 30,			Change	Nine Months Ended September 30,			Change
	2024	2023			2024	2023		
Depreciation expense	\$ 6.0	\$ 7.6	(21.1)%	\$ 18.9	\$ 21.5	(12.1)%		

The decrease in depreciation expense for the three and nine months ended September 30, 2024, as compared to the corresponding periods in 2023, was due to a decrease in depreciable property, plant and equipment, primarily IT assets.

Amortization Expense

	Three Months Ended September 30,			Change	Nine Months Ended September 30,			Change
	2024	2023			2024	2023		
Amortization of intangibles and other assets	\$ 15.2	\$ 15.2	— %	\$ 45.6	\$ 45.6	— %		

The change in amortization of intangibles and other assets during the three and nine months ended September 30, 2024, as compared to the corresponding periods in 2023, was not significant.

Restructuring and Other Charges

	Three Months Ended September 30,			Change	Nine Months Ended September 30,			Change
	2024	2023			2024	2023		
Restructuring and other charges	\$ 8.8	\$ 10.1	(12.9)%	\$ 22.5	\$ 14.3	57.3 %		

During the three and nine months ended September 30, 2024, the Company recorded net restructuring charges of \$8.8 and \$22.5, respectively, which are reflected within restructuring and other charges in the condensed consolidated and combined statements of operations. These charges are associated with Company actions to align resources, and restructure certain operations and include eliminating redundant positions and aligning resources and facilities for cost improvements and to meet customer requirements.

During the three and nine months ended September 30, 2023, the Company recorded net restructuring charges of \$10.1 and \$14.3, respectively. These costs were associated with general cost improvements, eliminating redundant positions and aligning resources and facilities for cost improvements and to meet our customer requirements.

Interest Expense

	Three Months Ended September 30,			Change	Nine Months Ended September 30,			Change
	2024	2023			2024	2023		
Interest expense	\$ 22.4	\$ 34.6	(35.3)%	\$ 101.9	\$ 35.2	189.5 %		

The decrease in interest expense for the three months ended September 30, 2024, as compared with the corresponding period in 2023, is primarily due to the pay down of \$70.2 on term loan A and \$412.5 on term loan B in the six months ended June 30, 2024.

The increase in interest expense for the nine months ended September 30, 2024, as compared with the corresponding period in 2023, is primarily due to the incurrence of indebtedness, consisting of borrowings under

senior secured term loan facilities and senior secured notes, and the write-off of \$12.2 of debt issuance costs associated with the pay down of debt in the quarter ended June 30, 2024.

Foreign Exchange Gain (Loss)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Foreign exchange gain (loss)	\$ (0.2)	\$ (1.2)	(83.3)%	\$ (7.0)	\$ (1.2)	483.3 %

The foreign exchange loss for the three and nine months ended September 30, 2024 compared to the foreign exchange gain (loss) for three and nine months ended September 30, 2023 changed primarily due to the relative weakening of the U.S. Dollar against the British Pound and the Euro.

Other, net

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Other, net	\$ 4.8	\$ 3.6	33.3 %	\$ 15.1	\$ 4.6	228.3 %

The increase in Other, net for the three and nine months ended September 30, 2024, as compared with the corresponding periods in 2023, is primarily related to the recognition of a contingent consideration payment on a sale of a facility to a third party that is no longer in use by the Company and income related to services provided under Transition Services Agreements.

Income Tax Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Income tax (benefit) expense	\$ (17.3)	\$ (5.8)	\$ (2.5)	\$ 7.3
Income tax (benefit) expense as a % of income (loss) before tax	48.3 %	26.5 %	1.2 %	30.2 %

For the three months ended September 30, 2024, the Company's effective tax rate was 48.3% compared to the 2023 tax rate of 26.5%. For the nine months ended September 30, 2024, the Company's effective tax rate was 1.2% compared to the 2023 tax rate of 30.2%. The fluctuations in the quarter-to-date and year-to-date periods were primarily due to valuation allowance, employee benefits, and a foreign rate differential impact.

The Organization for Economic Cooperation and Development has introduced new global minimum tax regulations, known as Pillar Two, that came into effect beginning on January 1, 2024. We are monitoring this development and evaluating its potential impact on our tax rate and eligibility to qualify for the safe harbor provisions. For 2024, we currently anticipate meeting the transitional safe harbors in all jurisdictions and do not expect a material impact to our financial statements.

Liquidity, Capital Resources and Financial Position

The Company manages cash flow to fund and invest in operational growth, capital expenditures, and credit facility repayments. In connection with the Spin, we incurred indebtedness in an aggregate principal amount of \$1,640.0, which consists of borrowings under senior secured term loan facilities and senior secured notes. We have also entered into a senior secured revolving credit facility, which consists of a five-year facility in the principal amount of up to \$450.0 as further discussed in *Note 6 - Debt* to our condensed consolidated and combined financial statements. During the nine months ended September 30, 2024, we paid down \$70.2, on term loan A and \$412.5, on term loan B, respectively.

On May 6, 2024, we entered into a three-year \$300.0 accounts receivable securitization program (the “Receivables Facility”). Under this program, Fortrea Inc. conveys receivable balances to a wholly-owned, bankruptcy-remote special purpose entity, which in turn, may sell receivables to a third-party financial institution in exchange for cash. As of September 30, 2024, we had sold \$300.0 of receivables with net proceeds of \$297.9.

We believe our existing cash and cash flows generated from operations, plus existing credit facilities, will be sufficient to cover the needs of our current and planned operations for at least the next 12 months. From time to time, we routinely evaluate strategic opportunities, including potential acquisitions, joint ventures or investments in complementary businesses. We may also access capital markets through the issuance of debt or equity, which we may use in connection with the acquisition of complementary businesses or other significant assets, or for other strategic opportunities, or general corporate purposes.

Cash Flows for the nine months ended September 30, 2024 and 2023

The cash flows related to discontinued operations have not been segregated and are included in the condensed consolidated and combined statements of cash flows and the discussion of the cash flow activity. In summary, the Company’s cash flows were as follows:

	Nine Months Ended September 30,	
	2024	2023
Net cash provided by operating activities	\$ 245.7	\$ 150.0
Net cash provided by (used for) investing activities	248.1	(22.8)
Net cash used for financing activities	(496.7)	(133.1)
Effect of exchange rate changes on cash and cash equivalents	(0.4)	(0.7)
Net change in cash and cash equivalents	<u>\$ (3.3)</u>	<u>\$ (6.6)</u>

Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2024 and 2023 totaled \$105.3 and \$103.8, respectively. Cash and cash equivalents consist of highly liquid instruments, such as commercial paper, time deposits and other money market instruments, which have maturities when purchased of three months or less.

Cash Flows from Operating Activities

During the nine months ended September 30, 2024, the Company’s operations provided \$245.7 of cash as compared to \$150.0 of cash provided by operations during the nine months ended September 30, 2023. The increase of \$95.7 for the nine months ended September 30, 2024 was primarily due to cash from accounts receivable, including the sale of receivables under the Receivables Facility, offset by higher use of cash for interest and income taxes and the decrease in net income.

Cash Flows from Investing Activities

Net cash provided by investing activities for the nine months ended September 30, 2024 was \$248.1 as compared to net cash used for investing activities of \$22.8 for the nine months ended September 30, 2023. The \$270.9 increase in net cash provided by investing activities for the nine months ended September 30, 2024 was primarily due to \$276.6 of net proceeds from the sale of the Enabling Services Segment and a year over year decrease in capital expenditures. Capital expenditures were \$28.7 and \$30.9 for the nine months ended September 30, 2024 and 2023, respectively. Capital expenditures in 2024 were 1.4% of revenues, primarily in connection with projects to support growth in the Company’s core businesses. The Company intends to continue to pursue selective investments in key therapeutic areas and geographies to drive growth and to improve efficiency of the Company’s operations. Such expenditures are expected to be funded primarily by cash flow from operations.

Cash Flows from Financing Activities

Net cash used for financing activities for the nine months ended September 30, 2024 was \$496.7 compared to cash used for financing activities of \$133.1 for the nine months ended September 30, 2023. Cash used for financing activities for the nine months ended September 30, 2024 was related to principal payments on the term loan A and term loan B.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet financing other than normal operating leases and letters of credit.

Critical Accounting Policies and Estimates

We have chosen accounting policies that management believes are appropriate to accurately and fairly report our operating results and financial position in conformity with U.S. GAAP. We apply these accounting policies in a consistent manner. Significant accounting policies are summarized in *Note 2 - Summary of Significant Accounting Policies* to the consolidated and combined financial statements included in the Annual Report on Form 10-K.

The application of these accounting policies require that we make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenues, expenses, contingent assets and liabilities, and related disclosures. These estimates, assumptions and judgments are based on historical experience, current trends and other factors believed to be reasonable under the circumstances. Management evaluates these estimates and assumptions on an ongoing basis. If actual results ultimately differ from previous estimates, the revisions are included in results of operations when the actual amounts become known.

The accounting policies that involve the most significant estimates, assumptions and management judgments used in preparation of the condensed consolidated and combined financial statements, or are the most sensitive to change due to outside factors, are discussed in Management's Discussion and Analysis in the Form 10-K. Except as disclosed in *Note 1 - Basis of Financial Statement Presentation* to our condensed consolidated and combined financial statements in this Form 10-Q, pertaining to the adoption of new accounting pronouncements, there have been no material changes in these policies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk (in millions)

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates, interest rates and other relevant market rate or price changes. In the ordinary course of business, we are exposed to various market risks, including changes in foreign currency exchange and interest rates, and we regularly evaluate the exposure to such changes. We address our exposure to market risks, principally the market risks associated with changes in foreign currency exchange rates and interest rates, through a controlled program of risk management that may include, from time to time, the use of derivative financial instruments such as foreign currency forward contracts, cross currency swaps and interest rate swap agreements in an effort to manage or hedge some of our risk. We do not hold or issue derivative financial instruments for trading purposes. Refer to *Note 7- Derivative Instruments and Hedging Activities* to the condensed consolidated and combined financial statements for information on how the Company utilizes derivative financial instruments.

Foreign Currency Exchange Rates

Approximately 17.2% and 16.6% of our revenues for the nine months ended September 30, 2024 and 2023, respectively, were denominated in currencies other than the U.S. dollar ("USD"). Our financial statements are reported in USD and, accordingly, fluctuations in exchange rates will affect the translation of revenues and expenses denominated in foreign currencies into USD for purposes of reporting our condensed consolidated and combined financial results. In the nine months ended September 30, 2024 and the year ended December 31, 2023, the most significant currency exchange rate exposure was the Euro. Excluding the impacts from any outstanding or future hedging transactions, a hypothetical change of 10% in average exchange rates used to translate all foreign currencies to USD would have impacted income before income taxes for the nine months ended September 30, 2024 by approximately \$1.8. Gross accumulated currency translation adjustments recorded as a separate component of stockholders' equity were \$38.0 and \$(6.6) at September 30, 2024 and September 30, 2023, respectively. We do not have significant operations in countries in which the economy is considered to be highly inflationary.

We earn revenue from service contracts over a period of several months to many years. Accordingly, exchange rate fluctuations during this period may affect our profitability with respect to such contracts. We are also subject to foreign currency transaction risk for fluctuations in exchange rates during the period of time between the consummation and cash settlement of transactions. We enter into foreign currency forward contracts with external counterparties to hedge certain foreign currency transactions with exposure predominantly to the Euro and British Pound. These contracts do not qualify for hedge accounting under U.S. GAAP and the changes in fair value are recorded directly to earnings.

Prior to the Spin, these changes in fair value were included in the combined statements of operations as part of corporate allocations.

Interest Rate Risk

We are exposed to market risks in the ordinary course of our business. The level of our interest rate risk is dependent on our debt exposure and is sensitive to changes in the general level of interest rates. Historical fluctuations in interest rates have not been significant for us; however, this may vary in the future as we have incurred certain indebtedness concurrent with the Spin and may incur additional indebtedness in the future.

In particular, we face the market risks associated with interest rate movements on our variable rate debt. A majority of this debt bears interest at a variable rate, and we entered into a floating-to-fixed interest rate swap with respect to some of our floating rate debt in August 2023. At September 30, 2024, we had \$572.0 outstanding related to our variable rate debt. Excluding the impacts from any outstanding or future floating-to-fixed interest rate swap transactions, a hypothetical 1% increase in interest rates would result in increased interest expenses of \$5.7. We expect to manage our interest rate risk but expect to be exposed to an element of market risk from changes to interest rates, including on any refinancing of debt. We expect to regularly assess market risks and to establish policies and business practices to protect against the adverse effects of these exposures. See *Note 6- Debt* to the condensed consolidated and combined financial statements.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), are our controls and other procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Internal controls over financial reporting, no matter how well designed, have inherent limitations, including the possibility of human error and the override of controls. Therefore, even those systems determined to be effective can provide only “reasonable assurance” with respect to the reliability of financial reporting and financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of our internal controls may vary over time.

Our management evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of September 30, 2024. Based on this evaluation, our chief executive officer and our chief financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective to accomplish their objectives at the reasonable assurance level due to the material weaknesses described below.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As reported in our Form 10-Q for the quarter ended March 31, 2024, as filed with the SEC on May 24, 2024, management identified material weaknesses in our internal controls over financial reporting that existed because the company did not have sufficient resources which in turn led to an inability to effectively perform certain control activities and fulfill its internal control and accounting responsibilities. As of September 30, 2024, the previously identified material weaknesses in our internal controls over financial reporting had not been remediated.

Management believes that the condensed consolidated and combined financial statements and related financial information included in this Form 10-Q fairly present, in all material respects, our balance sheets, statements of operations, comprehensive income and cash flows as of and for the periods presented.

Remediation Efforts to Address a Material Weaknesses in Internal Control over Financial Reporting

Remediation of the identified material weaknesses and strengthening our controls and procedures is a priority. In response to the material weaknesses, we are actively implementing a comprehensive remediation plan. We are hiring, developing and working to retain personnel with appropriate accounting and internal controls expertise. Additionally, we have and will continue to review and update (as appropriate) training programs on relevant internal controls over financial reporting matters. We have also engaged experienced third parties to support our remediation efforts.

To further remediate the material weaknesses discussed above, management, including our chief executive officer and chief financial officer, have reaffirmed and re-emphasized the importance of internal controls, control consciousness and a strong control environment. We are committed to maintaining a strong control environment and believe that these remediation efforts represent continued improvement in our control environment. We also expect to continue to review, optimize and enhance our financial reporting controls and procedures.

The material weaknesses will not be considered remediated until management completes the remediation plan and keeps it in place for a sufficient period of time. The Company is committed to the improvement of its internal control over financial reporting and, together with its outside consultant(s), will continue to develop, refine and implement its remediation plan for the material weaknesses, including responding as necessary to other internal or external factors that may impact execution of the plan.

Changes in Internal Control Over Financial Reporting

The Company is in the process of implementing certain changes in its internal controls to remediate the material weaknesses described above. There has been no change in the Company's internal control over financial reporting during the quarter ended September 30, 2024 that has materially affected or is reasonably likely to materially affect its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

See *Note 8 - Commitments and Contingent Liabilities* to the condensed consolidated and combined financial statements, which is incorporated herein by reference.

Item 1A. Risk Factors

Other than as set forth below, there have been no material changes to the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 13, 2024. For a discussion of the risks relating to our business, see the "Risk Factors" section of our Annual Report on Form 10-K, the "Cautionary Statement Concerning Forward-Looking Statements" set forth in Part I, Item 2 of this Form 10-Q, and as updated by following.

Failure to establish and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could materially and adversely affect us.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and are required to prepare our financial statements according to the rules and regulations required by the SEC. In addition, the Exchange Act requires that we file annual, quarterly, and current reports. Our failure to prepare and disclose this information in a timely manner or to otherwise comply with applicable law could subject us to penalties under federal securities laws, expose us to lawsuits, and restrict our ability to access financing. In addition, the Sarbanes-Oxley Act requires that, among other things, we establish and maintain effective internal controls and procedures for financial reporting and disclosure purposes. Beginning with our second required Annual Report on Form 10-K, which will be filed in 2025, we intend to comply with the applicable sections of Section 404 of the Sarbanes-Oxley Act, which will require annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm on the effectiveness of internal control over financial reporting. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We cannot provide assurance that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. For example, in connection with preparing the financial statements as of and for the quarter ended March 31, 2024, management identified material weaknesses in our internal controls over financial reporting that existed because we did not have sufficient resources which resulted in an inability to fulfill our internal control and accounting responsibilities. These material weaknesses did not result in any identified material misstatements to our prior annual or interim financial statements. While we are taking actions to remediate the material weaknesses, if we are not able to successfully remediate and test the affected controls and/or we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting.

Matters affecting our internal controls may cause us to be unable to report our financial information on a timely basis or may cause us to restate previously issued financial information. As a result, we may face potential adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could have a material and adverse effect on us by, for example, leading to a decline in our share price and impairing our ability to raise additional capital.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Director and Officer Trading Arrangements

A portion of the compensation of our directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) is in the form of equity awards and, from time to time, directors and officers may engage in open-market transactions with respect to the securities acquired pursuant to such equity awards or other Company securities, including to satisfy tax withholding obligations when equity awards vest or are exercised and for diversification or other personal reasons.

Transactions in our securities by directors and officers are required to be made in accordance with our insider trading policy, which requires that the transactions be in accordance with applicable U.S. federal securities laws that prohibit trading while in possession of material nonpublic information. Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables directors and officers to prearrange transactions in our securities in a manner that avoids concerns about initiating transactions while in possession of material nonpublic information.

During the quarterly period covered by this report, none of our directors or officers entered into or terminated a Rule 10b5-1 trading arrangement or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) except as follows:

In September 2024, we adopted a policy for awards that will vest in the year ended December 31, 2025 and beyond (unless and until such policy is subsequently terminated or modified by the Company) pursuant to which any participant in our equity incentive plans is required to sell, upon the vesting or settlement of any restricted stock units (“RSUs”) or performance share awards (“PSAs”), a portion of the shares subject to the award sufficient to cover tax withholding obligations and to remit an amount equal to such tax withholding obligations to the Company. In connection with the adoption of the policy, the Management Development and Compensation Committee of our board of directors (the “MDCC”) approved a new form of Restricted Stock Unit Agreement and Performance Share Award Agreement to institute automatic sell-to-cover, and such forms are filed with this Form 10-Q as Exhibits 10.1 and 10.2. Additionally, the MDCC and Thomas Pike amended his current RSU Agreement to implement automatic sell-to-cover, and such amendment to Thomas Pike’s RSU agreement is filed with this Form 10-Q as Exhibit 10.3.

Additionally, on September [16], 2024, Thomas Pike, our Chairman and Chief Executive Officer, Jill McConnell, our Chief Financial Officer, Mark Morais, our Chief Operations Officer and President, Stillman Hanson, our General Counsel, and Robert Parks, our Chief Accounting Officer, entered into trading instructions intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act and to provide for certain sell-to-cover transactions (as described in Rule 10b5-1(c)(1)(ii)(D)(3) of the Exchange Act) with respect to certain RSUs and PSAs (the “Sell-to-Cover Instructions”). The Sell-to-Cover Instructions provide for the pre-arranged sale of shares in amounts necessary to satisfy our tax withholding obligations arising exclusively from the vesting of certain RSUs and PSAs, which will be based on the then fair market value of the shares of our common stock subject to the RSUs or PSAs, as applicable, that are settled on each applicable vesting date. The proceeds of any such sale will be delivered to the Company in satisfaction of such tax withholding obligations.

The Sell-to-Cover Instructions are subject to applicable “cooling-off periods,” consistent with Rule 10b5-1(c)(1)(ii)(B) of the Exchange Act. Each of the relevant officer’s Sell-to-Cover Instructions apply with respect to the first award of RSUs or PSAs granted by us after the Separation (including any converted equity grants from Former Parent) or the officer’s hire date (if later), and any RSUs or PSAs that may be granted to them by us from time to time following such date, other than any future granted RSUs or PSAs which by the terms of the applicable award agreements or by a policy of the Company then in effect require us to withhold shares to satisfy tax withholding obligations in connection with the vesting and settlement of such RSUs or PSAs or that do not permit sell-to-cover transactions. The amount of shares to be sold to satisfy our tax withholding obligations under these arrangements is dependent on future events which cannot be known at this time, including the future trading price of our shares. The expiration date relating to an officer’s Sell-to-Cover Instructions is dependent on future events which cannot be known at this time, including the final vesting date of certain RSUs and PSAs and such officer’s termination of service.

Item 6. Exhibits

The exhibits below are filed or furnished as a part of this report and are incorporated herein by reference.

EXHIBIT NO.	DESCRIPTION	Filed Herewith	INCORPORATED BY REFERENCE			
			FORM	File No.	Exhibit	Filing Date
10.1	Form of Restricted Stock Unit Award.	X				
10.2	Form of Performance Share Award Agreement.	X				
10.3	First Amendment dated September 13, 2024 to the Restricted Stock Unit Award Agreement dated August 17, 2023 between Fortrea Holdings Inc. and Thomas Pike.	X				
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Document.	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X				
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL Instance document included in Exhibit 101.	X				

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Fortrea Holdings Inc.

By: */s/ JILL McCONNELL*

Name: Jill McConnell

Title: Chief Financial Officer

(On behalf of the Registrant and as Principal
Financial Officer)

Date: November 8, 2024

FORTREA HOLDINGS INC.

2023 OMNIBUS INCENTIVE PLAN

NOTICE OF GRANT OF RESTRICTED STOCK UNIT AWARD

This Notice of Grant hereby evidences a grant of restricted stock units (the “Restricted Stock Units”) relating to shares of common stock, par value \$0.001 per share, of Fortrea Holdings Inc., a Delaware corporation (the “Company”), to the Grantee named below, subject to the vesting and other conditions set forth below in this Notice of Grant. Additional terms and conditions of the grant are set forth in the attached Restricted Stock Unit Agreement (the “Agreement”) and in the Company’s 2023 Omnibus Incentive Plan (as may be amended or amended and restated from time to time) (the “Plan”).

Grant Date: _____, 20 _____

Name of Grantee: _____

Number of shares of Stock underlying the Restricted Stock Units: _____

Purchase Price per share of Stock: \$[____]

Vesting Schedule: Subject to alternative vesting terms in the Agreement, one-third ($\frac{1}{3}$) of the Restricted Stock Units will vest on each of the first 3 anniversaries of the Grant Date (each, a “Vesting Date”), provided Grantee has not had a Separation from Service prior to each such Vesting Date. The number of Restricted Stock Units that vest on each Vesting Date will be rounded to the nearest whole number, and Grantee cannot vest in more than the number of Restricted Stock Units set forth above.

This grant of Restricted Stock Units is subject to all of the terms and conditions described in this Notice of Grant, the Agreement and the Plan, a copy of which has been provided to you. You acknowledge that you have carefully reviewed the Agreement and the Plan, and agree that the Plan will control in the event any provision of this Notice of Grant or the Agreement should appear inconsistent. Certain capitalized terms used in this Notice of Grant that are not defined herein are defined in the Agreement or the Plan, and have the meanings set forth in the Agreement or the Plan, as applicable.

Grantee: _____ Date: _____
(Signature)

Company: _____ Date: _____, 20 _____
(Signature)

Title: _____

FORTREA HOLDINGS INC.
2023 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT

Restricted Stock Units	<p>This Agreement and the Notice of Grant evidence an award of Restricted Stock Units in the number of shares of Stock set forth on the Notice of Grant, and subject to the vesting and other conditions described below, in the Plan and on the Notice of Grant (the “Restricted Stock Units”).</p> <p>The Purchase Price for the shares of Stock underlying the Restricted Stock Units is deemed paid by your prior services to the Company.</p>
Transfer of Restricted Stock Units	<p>To the extent not yet vested, your Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of, whether by operation of law or otherwise, nor may your Restricted Stock Units be made subject to execution, attachment or similar process.</p>
Standard Vesting Schedule	<p>Your Restricted Stock Units shall vest in accordance with the vesting schedule shown on the Notice of Grant so long as you have not had a Separation from Service prior to the Vesting Dates set forth on the Notice of Grant.</p> <p>No additional Restricted Stock Units will vest after your Separation from Service for any reason except as set forth in this Agreement.</p>
Death, Disability, or Specified Terminations Following a Change in Control	<p>Notwithstanding the vesting schedule set forth under “Standard Vesting Schedule” above, if you have (a) a Separation from Service as a result of your (i) death or (ii) Disability, or (b) a Separation from Service for Good Reason (as defined below) or by the Company without Cause (as defined below), in each case within 24 months after the consummation of a Change in Control, 100% of the Restricted Stock Units that remain unvested on such separation date will vest on the date of your Separation from Service.</p>

Separation Without Cause or for Good Reason not Related to a Change in Control

Notwithstanding the vesting schedules set forth under “Standard Vesting Schedule” and “Death, Disability, or Specified Terminations Following a Change in Control” above, if you have an involuntary Separation from Service without Cause (as defined below), or you have incurred a voluntary Separation from Service for Good Reason (as defined below), in each case, on or after 6 months following the Grant Date but not within 24 months after a Change in Control, the Restricted Stock Units that were scheduled to vest in accordance with the Standard Vesting Schedule within 12 months immediately following said Separation from Service will vest upon the occurrence of such Separation from Service.

For purposes of this Agreement:

a) “Cause” means the following events: (i) an intentional act of fraud, embezzlement, theft, or any other material violation of law in connection with your duties or in the course of your employment with the Company; (ii) your conviction of or entering of a plea of nolo contendere to a felony; (iii) your alcohol intoxication on the job or current illegal drug use; (iv) your intentional wrongful damage to tangible assets of the Company; (v) your intentional wrongful disclosure of material confidential information of the Company and/or material breach of the provisions of the Company’s Confidentiality/Non-Competition/Non-Solicitation Agreement or any other noncompetition or confidentiality provisions covering your activities; (vi) your knowing and intentional breach of any employment policy of the Company, including but not limited to the Code of Conduct and Ethics; (vii) gross neglect or gross misconduct, disloyalty, dishonesty, or breach of trust, or failure in the performance of your duties that is not corrected to the Company’s satisfaction within 30 days of your receiving notice thereof, provided that a period to cure any issues is reasonable and/or feasible; or (viii) your misconduct that causes reputational harm to the Company.

b) “Good Reason” means, without your consent, (i) a material reduction in your base salary or target bonus as a percentage of your base salary; (ii) relocation to an office location more than 50 miles from your current office; or (iii) a material reduction in job responsibilities and duties or transfer to another job; provided, however, that Good Reason shall only be deemed to have occurred if (x) no later than 30 days after you learn of the circumstances constituting Good Reason, you provide written notice to the Company detailing the events that constitute Good Reason and your decision to terminate your employment with the Company, (y) the Company fails to cure such circumstances within 30 days after receipt of said notice (“Cure Period”), and (z) you actually have a Separation from Service within 30 days after the end of said Cure Period. Notwithstanding the foregoing, “Good Reason” shall not include a reduction in your base salary or target bonus where such reduction is pursuant to a Company-wide reduction of base salaries and/or target bonuses.

<p>Retirement at Age 65 Plus 5 for U.S. Employees</p>	<p>Notwithstanding the vesting schedule set forth under “Standard Vesting Schedule” above, if you work in the United States and you have a Separation from Service, other than a Separation from Service by the Company for Cause, at a time when you have attained age 65 and completed 5 full years of Service (“Retirement at Age 65 Plus 5”) and</p> <ul style="list-style-type: none"> a) Your Separation from Service occurs on or after 6 months following the Grant Date but before 9 months following the Grant Date, the Restricted Stock Units that were scheduled to vest in accordance with the Standard Vesting Schedule within 12 months immediately following such Separation from Service will vest upon your Separation from Service; or b) Your Separation from Service occurs on or after 9 months following the Grant Date, 100% of the Restricted Stock Units that remain unvested on such separation date will vest on the date of your Separation from Service. <p>For purposes of determining eligibility for Retirement at Age 65 Plus 5, Service means the aggregate of (i) the number of full years during which you are employed by the Company and/or an Affiliate of the Company (but only while the Affiliate is owned, controlled or under common control by or with the Company) and (ii) if applicable, the number of full years during which you were employed by Laboratory Corporation of America Holdings, a Delaware corporation (“Labcorp”), and/or an Affiliate of Labcorp immediately prior to the spin-off of the Company from Labcorp (the “Spinoff”), <u>provided</u> that the number of years credited for Labcorp service shall not exceed 5 years.</p>
<p>Separation due to Retirement at Age 55 (Rule of 70) for U.S. Employees</p>	<p>Notwithstanding the vesting schedules under “Standard Vesting Schedule”, other than a Separation from Service by the Company for Cause and other than a Retirement at Age 65 Plus 5, if you work in the United States and you have a Separation from Service on or after 6 months following the Grant Date at a time when you have attained age 55 and the sum of your age and full years of Service equals or exceeds 70 (“Retirement at Age 55 (Rule of 70)”), the Restricted Stock Units that were scheduled to vest in accordance with the Standard Vesting Schedule within 12 months immediately following said Separation from Service will vest upon your Separation from Service.</p> <p>For purposes of determining eligibility for Retirement at Age 55 (Rule of 70), Service means the aggregate of (i) the number of full years during which you are employed by the Company and/or an Affiliate of the Company (but only while the Affiliate is owned, controlled or under common control by or with the Company) and (ii) if applicable, the number of full years during which you were employed by Labcorp and/or an Affiliate of Labcorp immediately prior to the Spinoff, <u>provided</u> that the number of years credited for Labcorp service shall not exceed 5 years.</p>

Forfeiture of Unvested Restricted Stock Units	Unless your Separation from Service triggers accelerated vesting or other treatment of your Restricted Stock Units pursuant to the terms of this Agreement, the Plan, or any other written agreement between the Company or an Affiliate and you, you will automatically forfeit to the Company all of the Restricted Stock Units that have not yet vested as of your Separation from Service.
Forfeiture of Rights	<p>If you (a) should take actions in violation or breach of or in conflict with any (i) employment agreement, (ii) non-competition agreement, (iii) agreement prohibiting solicitation of employees or clients of the Company or any Affiliate, (iv) confidentiality obligation with respect to the Company or any Affiliate, (v) Company policy or procedure, including but not limited to the Code of Conduct and Ethics, or (vi) other agreement, or (b) if you incur a Separation from Service for Cause, or you otherwise engage in conduct that would constitute Cause, the Company has the right to cause an immediate forfeiture of (A) your rights to any outstanding Restricted Stock Units, and (B) with respect to the period commencing 36 months prior to your Separation from Service and ending 36 months following such Separation from Service (1) a forfeiture of any gain recognized by you upon the sale of any shares of Stock received as a result of the vesting of any Restricted Stock Units, and (2) a forfeiture of any vested shares of Stock held by you as a result of the vesting of any Restricted Stock Units. For the avoidance of doubt, any Confidentiality/Non-Competition/Non-Solicitation Agreement entered into before or concurrently with this Agreement is covered by this provision as are any other applicable agreements whether executed before or after this Agreement.</p> <p>Moreover, nothing in this Agreement or the Plan shall prohibit you from (a) disclosing any confidential information to a government agency if you are required to produce the information pursuant to a subpoena, court order, administrative order or other legal process, (b) discussing terms and conditions of employment or engaging in other activities protected by the National Labor Relations Act, (c) communicating with the Securities and Exchange Commission about securities law violations, or (d) communicating with any other government entity or agency if such communication is to report a violation of applicable law.</p>

<p>Leaves of Absence</p>	<p>For purposes of this Agreement, you do not have a Separation from Service when you go on a <i>bona fide</i> employee leave of absence that was approved by your employer in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, you will be treated as having a Separation from Service 90 days after you went on employee leave, unless your right to return to active work is guaranteed by law or by a contract. You will incur a Separation from Service in any event when the approved leave ends unless you immediately return to active employee work.</p> <p>Your employer determines, in its sole discretion, which leaves count for this purpose, and when you have a Separation from Service for all purposes under the Plan, subject to applicable law. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.</p>
<p>Issuance of Stock</p>	<p>The shares of Stock underlying your vested Restricted Stock Units will be issued within 60 days following each Vesting Date; <u>provided, however</u>, that if you incur a Separation from Service on which all or some of your unvested Restricted Stock Units vest as provided in this Agreement, the shares of Stock underlying such vested Restricted Stock Units shall be issued within 60 days of the date of your Separation from Service.</p>

Taxes	<p>You agree, as a condition of this grant, that you will make acceptable arrangements to pay any applicable income taxes, employment taxes, social insurance, social contributions, national insurance contributions, other contributions, payroll taxes, levies, payment on account obligations and any other tax-related items (“Applicable Taxes”), that may be due as a result of grant or vesting of the Restricted Stock Units or the issuance of shares of Stock acquired under this grant. In the event that the Company or any Affiliate determines that any Applicable Taxes are required to be collected, withheld or accounted for relating to the grant or vesting of the Restricted Stock Units or the issuance of shares of Stock acquired from this grant, unless the Company provides notice of an alternate procedure in its discretion, you agree to facilitate the Company’s satisfaction of its withholding obligation by instructing a registered broker selected by the Company to sell the number of shares of Stock necessary to satisfy the Company’s withholding obligation, after deduction of the broker’s commission, and to remit the proceeds of such sale to the Company. Such sales shall be made pursuant to a mandatory “sell-to-cover” program instituted by the Company with no discretion on your part with respect to any sale. If the proceeds of such a sale exceed the Company’s withholding obligation, the Company will pay the excess to you as soon as practicable. If the proceeds of such a sale are less than the Company’s withholding obligation, you agree to pay any shortfall to the Company as soon as practicable, including through payroll withholding. You acknowledge that the Company and the broker are under no obligation to arrange for such sale at any particular price. In connection with the “sell-to-cover” program, you agree to execute any documents the broker may request to effectuate the sale of shares of Stock and satisfaction of the Stock and satisfaction of the Company’s withholding obligation.</p>
Retention Rights	<p>This Agreement and the Restricted Stock Units do not give you the right to be retained by the Company or any Affiliate in any capacity. The Company or any Affiliate reserves the right to terminate your Service at any time and for any reason, subject to applicable law.</p>
Stockholder Rights	<p>You, or your estate or heirs, have no rights as a stockholder of the Company until the shares of Stock have been issued upon vesting of your Restricted Stock Units and either a certificate evidencing your shares of Stock has been issued or an appropriate entry has been made on the Company’s books.</p>

Insider Trading Policy	<p>You acknowledge receipt of the Company’s Insider Trading Policy (the “Policy”), a copy of which has been provided to you. You agree to comply fully with the standards contained in the Policy (and related policies and procedures adopted by the company). You further understand that compliance with these standards, policies, and procedures is a condition of continued employment or association with the Company or any of its subsidiaries and that the Policy is only a statement of principles for individual and business conduct and does not, in any way, constitute an employment contract, an assurance of continued employment, or employment other than at-will. By acceptance of the Restricted Stock Units granted hereunder, you certify to your understanding of and intent to comply with the Policy.</p>
Confidentiality/Non-Competition/Non-Solicitation Agreement	<p>You acknowledge that you either (a) have entered into a Confidentiality/Non-Competition/Non-Solicitation Agreement with the Company or an Affiliate as of the date you accepted employment with the Company or an Affiliate or as of the date you were first granted Awards pursuant to the Plan, or (b) will concurrently enter into a Confidentiality/Non-Competition/Non-Solicitation Agreement if this Agreement and Notice of Grant relates to your first grant of an Award under the Plan. In consideration of the award of Restricted Stock Units granted pursuant to this Agreement, you agree to be bound by the obligations in, and covenant to comply with, such Confidentiality/Non-Competition/Non-Solicitation Agreement that you have either previously entered into with the Company or are entering into with the Company concurrently with this Agreement, and you further understand that a failure to comply with the Confidentiality/Non-Competition/Non-Solicitation Agreement’s terms and conditions may result in consequences as described in this Agreement.</p>

Clawback	<p>You acknowledge receipt of the Company’s Incentive Compensation Recoupment Policy (the “Recoupment Policy”). You agree that your Incentive Compensation (as defined in the Recoupment Policy), including Restricted Stock Units, is subject to the terms of the Recoupment Policy, which requires repayment by you to the Company of Incentive Compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of the Recoupment Policy. Notwithstanding anything in this Agreement to the contrary, you acknowledge and agree that this Agreement and the award described herein (and any settlement thereof) are subject to the terms and conditions of any other clawback policy as may be in effect from time to time, including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the shares of the Company may be traded).</p>
Applicable Law	<p>This Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.</p>
The Plan	<p>The text of the Plan is incorporated in this Agreement by reference.</p> <p><i>Certain capitalized terms used in this Agreement that are not defined herein or in the Notice of Grant are defined in the Plan, and have the meanings set forth in the <u>Plan</u>.</i></p> <p>This Agreement, the Notice of Grant, and the Plan constitute the entire understanding between you and the Company regarding this grant of Restricted Stock Units. Any prior agreements, commitments or negotiations concerning this grant are superseded; except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and the Company or any Affiliate shall supersede this Agreement with respect to its subject matter.</p> <p>If there is any conflict between this Agreement and the Plan, or if there is any ambiguity in this Agreement, any term that is not defined in this Agreement or any matter as to which this Agreement is silent, in any such case, the Plan shall govern, including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (a) interpret the Plan, (b) prescribe, amend and rescind rules and regulations relating to the Plan and (c) make all other determinations deemed necessary or advisable for the administration of the Plan.</p>

<p>Data Privacy</p>	<p><u>Data Protection (European Union/European Economic Area/United Kingdom)</u></p> <p>The Company and/or any of its local subsidiaries or other Affiliates, including your employer, will process your personal data in connection with the Plan and this Agreement in accordance with the terms of the privacy notice previously provided to you.</p> <p>In the event the Company and/or any of its local subsidiaries or other Affiliates may need to process information relating to your health or the identity of your spouse or civil partner in order to operate the Plan, the Company will seek your explicit consent (in the case of information relating to your health), or, their consent (in respect of information relating to the personal identity of your spouse or civil partner), where appropriate.</p> <p><u>Data Protection (Jurisdictions other than European Union/European Economic Area/United Kingdom)</u></p> <p>In order to administer the Plan, the Company may process personal data about you. The Company may instruct its Affiliates to administer the Plan on its behalf. For a list of the Company’s Affiliates from time to time please contact the Company’s Chief Legal Officer.</p> <p>The Company may process the following personal data in connection with the administration of the Plan:</p> <ul style="list-style-type: none"> • information provided in this Agreement and any changes thereto; • contact information such as your home and business addresses, telephone numbers and email address; • payroll information; • start and end dates of employment; • information about your employment which is relevant to awards under the Plan (for example details of performance required for performance-based awards); and • other personal data about you which is necessary for the administration of the Plan. <p>This information may be provided to the Company by you or your employer.</p> <p>By accepting this grant, you give explicit consent to the Company to process any such personal data or use Affiliates to process data on its behalf.</p> <p>You also give explicit consent to the Company and any Affiliate to transfer any such personal data outside the country in which you work or are employed, including, with respect to non-U.S. resident participants, to the United States, to transferees who shall include the Company, any Affiliate and other persons who are designated by the Company to administer the Plan.</p> <p>You are entitled to receive information about the processing of your personal data and to request that any incorrect data be rectified.</p>
<p>Notices</p>	<p>Any notices to be given under the terms of this Agreement shall be in writing and addressed to the Company at 8 Moore Drive, Durham, NC 27709, Attention: General Counsel, and to you at the address in the Company’s books and records, or at such address as either party may hereafter designate in writing to the other.</p>
<p>Consent to Electronic Delivery</p>	<p>The Company may choose to deliver certain statutory materials relating to the Plan as well as any other documents related to the grant in electronic form. By accepting this grant, you agree that the Company may deliver the Plan prospectus, the Company’s annual report, and other grant-related materials to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to, the Company would be pleased to provide copies. Please email your request for paper copies to StockCompliance@Fortrea.com.</p>
<p>Electronic Signature</p>	<p>All references to signatures and delivery of documents in this Agreement can be satisfied by</p>

procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents, including this Agreement. Your electronic signature is the same as, and shall have the same force and effect as, your manual signature. Any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan.

Code Section 409A

It is intended that the Restricted Stock Units comply with Section 409A of the Code and the guidance and regulations promulgated thereunder (“Section 409A”) or an exemption from Section 409A. To the extent that the Company determines that you would be subject to the additional taxes or penalties imposed on certain non-qualified deferred compensation plans pursuant to Section 409A as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional taxes or penalties. The nature of any such amendment shall be determined by the Company. Notwithstanding anything to the contrary in this Agreement or the Plan, to the extent required to avoid accelerated taxation and penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Agreement during the 6-month period immediately following your Separation from Service will instead be paid on the first payroll date after the 6-month anniversary of your Separation from Service (or your death, if earlier). Each installment of Restricted Stock Units that vests under this Agreement (if there is more than one installment) will be considered one of a series of separate payments for purposes of Section 409A.

“Separation from Service” shall have the meaning set forth in Section 409A which includes when the Company reasonably anticipates that your level of Services will permanently decrease to no more than 20% of the average level of Services you have performed over the immediately preceding 36-month period (or such lesser period of your Service with the Company and its Affiliates), which shall be interpreted consistently with the provisions of Section 409A. It is intended that the Agreement comply with Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Agreement will be interpreted and administered to be in compliance with Section 409A.

Additional Terms for Non-U.S. Grantees	Notwithstanding anything to the contrary in this Agreement, if you work and/or reside outside of the United States, you shall be subject to the Additional Terms and Conditions for Non-U.S. Grantees attached hereto as Addendum A and to any Country-Specific Terms and Conditions attached hereto as Addendum B. If you are a citizen or resident of a country (or are considered as such for local law purposes) other than the one in which you are currently working or residing or if you relocate to one of the countries included in the Country-Specific Terms and Conditions after the grant of the Restricted Stock Units, the special terms and conditions for such country will apply to you to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Additional Terms and Conditions for Non-U.S. Grantees and the Country-Specific Terms and Conditions constitute part of this Agreement and are incorporated herein by reference.
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By electronically executing this Agreement, you agree to all of the terms and conditions described above, in the Plan, in the Confidentiality/Non-Competition/Non-Solicitation Agreement, in the Company's Insider Trading Policy and in the Company's Incentive Recoupment Policy.

FORTREA HOLDINGS INC.
2023 OMNIBUS INCENTIVE PLAN

NOTICE OF GRANT OF PERFORMANCE SHARE AWARD

Fortrea Holdings Inc., a Delaware corporation (the “Company”), hereby grants an award of Performance Shares (the “Performance Share Award”) under the Fortrea Holdings Inc. 2023 Omnibus Incentive Plan (as may be amended or amended and restated from time to time, the “Plan”), to the Grantee named below, subject to the vesting and other terms and conditions set forth in this Notice of Grant and the attached Performance Share Award Agreement (together, the “Agreement”). Under the Performance Share Award, the Grantee is eligible to receive a number of shares of common stock, par value \$0.001 per share, of the Company (“Stock”) based on the extent to which the applicable performance goals specified in **Exhibit A** of this Agreement for the Performance Period specified therein have been attained. The initial number of shares of Stock that shall be used to determine the Grantee’s rights pursuant to this Performance Share Award is set forth below (the “Target Performance Shares”). The number of Target Performance Shares shall be used solely to calculate the actual number of shares of Stock that may be issued to the Grantee under this Agreement.

Certain capitalized terms used but not defined in this Agreement have the meanings given such terms in the Plan.

Grant Date: _____

Name of Grantee: _____

Target Performance Shares: _____

This Performance Share Award is subject to all of the terms and conditions described in this Agreement and in the Plan, a copy of which has been provided to you. You acknowledge that you have carefully reviewed the Plan and agree that the Plan will control in the event any provision of this Agreement should appear inconsistent.

Grantee: _____
(Signature)

Company: _____
Name:
Title:

**FORTREA HOLDINGS INC.
2023 OMNIBUS INCENTIVE PLAN**

PERFORMANCE SHARE AWARD AGREEMENT

Determination of the Number of Shares	The number of shares of Stock, if any, that may be issued pursuant to the terms of this Agreement shall be calculated based on the attainment of specified performance goals, as set forth on the attached Exhibit A , by the end of the Performance Period (as defined in Exhibit A). The minimum number of shares of Stock that may be issued is 0% of the Target Performance Shares. The maximum number of shares of Stock that may be issued is 200% of the Target Performance Shares. The Management Development and Compensation Committee of the Board (the “Committee”) will determine, in its sole discretion, whether, and to what extent, the performance goals set forth on the attached Exhibit A have been satisfied.
Transfer of Performance Share Award	Your Performance Share Award may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed of, whether by operation of law or otherwise, nor may the Performance Share Award be made subject to execution, attachment or similar process.
Standard Vesting Schedule	Your Performance Share Award will vest in accordance with the terms of this Agreement on the 30 th day following the availability of audited financial statements for the third calendar year of the Performance Period and, in any event, by December 31 of the calendar year immediately after the end of the three-year Performance Period (the “Vesting Date”). The Performance Share Award will not vest if you have had a Separation from Service (as defined below) for any reason prior to the Vesting Date, except as set forth in this Agreement.
Death, Disability, or Specified Terminations following Change in Control	Notwithstanding the vesting schedule set forth under “Standard Vesting Schedule” above, if you have a Separation from Service as a result of your (1) death, (2) Disability, or (3) involuntary Separation from Service without Cause or voluntary Separation from Service for Good Reason (as such terms are defined below), in any case, within 24 months after the consummation of a Change in Control (each of the terminations in (3), a “Qualifying CIC Termination”), then 100% of the Target Performance Shares will vest on the date of your Separation from Service.

**Retirement at Age 65 Plus
5 for U.S. Employees**

Notwithstanding the vesting schedule set forth under “Standard Vesting Schedule” above, if you work in the United States and you have a Separation from Service, other than a Separation from Service by the Company for Cause, at a time when you have attained age 65 and completed five full years of Service (“Retirement at Age 65 Plus 5”) and:

(i) Your Separation from Service occurs on or after 6 months following the Grant Date, but before 9 months following the Grant Date, you shall continue to be eligible to vest in a prorated portion of the Performance Share Award based on the attainment of the specified performance goals as if you had not had a Separation from Service; or

(ii) Your Separation from Service occurs on or after 9 months following the Grant Date, then you shall continue to be eligible to vest in the Performance Share Award based on the attainment of the specified performance goals as if you had not had a Separation from Service.

The prorated portion of the Performance Share Award shall be determined based on the ratio of the number of months of your Service during the Performance Period to the total number of months in the Performance Period, rounded up to the nearest whole share.

Notwithstanding anything in this Agreement to the contrary, such vesting determination shall be made as of the Vesting Date.

For purposes of determining eligibility for Retirement at Age 65 Plus 5, Service means the aggregate of (i) the number of full years during which you are employed by the Company and/or an Affiliate of the Company but only while the Affiliate is owned, controlled or under common control by or with the Company and (ii) if applicable, the number of full years during which you were employed by Laboratory Corporation of America Holdings, a Delaware corporation (“Labcorp”), and/or an Affiliate of Labcorp immediately prior to the spin-off of the Company from Labcorp (the “Spinoff”), provided that the number of years credited for Labcorp service shall not exceed 5 years.

Separation from Service Without Cause or for Good Reason, unrelated to a Change in Control

Notwithstanding the vesting schedules set forth under “Standard Vesting Schedule” and “Death, Disability, or Specified Terminations Following a Change in Control” above, if you have an involuntary Separation from Service without Cause, or you have incurred a voluntary Separation from Service for Good Reason, in each case, on or after 6 months following the Grant Date that does not constitute a Qualifying CIC Termination, then you shall continue to be eligible to vest in a prorated portion of the Performance Share Award based on the attainment of the specified performance goals as if you had not had a Separation from Service.

The prorated portion of the Performance Share Award shall be determined based on the ratio of the number of months of your Service during the Performance Period to the total number of months in the Performance Period, rounded to the nearest whole share.

Notwithstanding anything in this Agreement to the contrary, such vesting determination shall be made as of the Vesting Date.

For purposes of this Agreement, Cause and Good Reason are defined as follows:

“Cause” means the following events: (a) an intentional act of fraud, embezzlement, theft, or any other material violation of law in connection with your duties or in the course of your employment with the Company; (b) your conviction of or entering of a plea of nolo contendere to a felony; (c) your alcohol intoxication on the job or current illegal drug use; (d) your intentional wrongful damage to tangible assets of the Company; (e) your intentional wrongful disclosure of material confidential information of the Company and/or material breach of the provisions of the Company’s Confidentiality/Non-Competition/Non-Solicitation Agreement or any other noncompetition or confidentiality provisions covering your activities; (f) your knowing and intentional breach of any employment policy of the Company, including but not limited to the Code of Conduct and Ethics; (g) gross neglect or gross misconduct, disloyalty, dishonesty, or breach of trust, or failure in the performance of your duties that is not corrected to the Company’s satisfaction within 30 days of your receiving notice thereof, provided, however, that a period to cure any issues is reasonable and/or feasible; or (h) your misconduct that causes reputational harm to the Company.

“Good Reason” means, without your consent, (a) a material reduction in your base salary or target bonus as a percentage of your base salary; (b) role relocation to an office location more than 50 miles from your current office; or (c) a material reduction in job responsibilities and duties or transfer to another job; provided, however, that Good Reason shall only be deemed to have occurred if (1) no later than 30 days after you learn of the circumstances constituting Good Reason, you provide written notice to the Company detailing the events that constitute Good Reason and your decision to terminate your employment with the Company, (2) the Company fails to cure such circumstances within 30 days after receipt of said notice (“Cure Period”), and (3) you actually have a Separation from Service within 30 days after the end of said Cure Period. Notwithstanding the foregoing, “Good Reason” shall not include a reduction in your base salary or target bonus where such reduction is pursuant to a Company-wide reduction of base salaries and/or target bonuses.

<p>Retirement at Age 55 (Rule of 70) for U.S. Employees</p>	<p>Notwithstanding the vesting schedules under “Standard Vesting Schedule”, other than a Separation from Service by the Company for Cause and other than a Retirement at Age 65 Plus 5, if you work in the United States and you have a Separation from Service on or after 6 months following the Grant Date, at a time when you have attained age 55 and the sum of your age and full years of Service equals or exceeds 70 (“Retirement at Age 55 (Rule of 70)”), then you shall be eligible to continue to vest in a prorated portion of the Performance Share Award based on the attainment of the specified performance goals as if you had not had a Separation from Service.</p> <p>The prorated portion of the Performance Share Award shall be determined based on the ratio of the number of months of your Service during the Performance Period to the total number of months in the Performance Period, rounded to the nearest whole share.</p> <p>Notwithstanding anything in this Agreement to the contrary, such vesting determination shall be made as of the Vesting Date.</p> <p>For purposes of determining eligibility for Retirement at Age 55 (Rule of 70), Service means the aggregate of (i) the number of full years during which you are employed by the Company and/or an Affiliate of the Company but only while the Affiliate is owned, controlled or under common control by or with the Company and (ii) if applicable, the number of full years during which you were employed by Labcorp, and/or an Affiliate of Labcorp immediately prior to the Spinoff, <u>provided</u> that the number of years credited for Labcorp service shall not exceed 5 years.</p>
<p>Forfeiture of Unvested Performance Share Award</p>	<p>Unless your Separation from Service triggers accelerated vesting or other treatment of your Performance Share Award pursuant to the terms of this Agreement, the Plan, or any other written agreement between the Company or an Affiliate and you, you will automatically forfeit to the Company the Performance Share Award to the extent not yet vested as of your Separation from Service.</p>

<p>Forfeiture of Rights</p>	<p>If you (i) should take actions in violation or breach of or in conflict with any (a) employment agreement, (b) non-competition agreement, (c) agreement prohibiting solicitation of employees or clients of the Company or any Affiliate, (d) confidentiality obligation with respect to the Company or any Affiliate, (e) Company policy or procedure, including but not limited to the Code of Conduct and Ethics, or (f) other agreement, or (ii) if you incur a Separation from Service for Cause, or you otherwise engage in conduct that would constitute Cause, the Company has the right to cause an immediate forfeiture of (A) your rights to any shares of Stock under the Performance Share Award, and (B) with respect to the period commencing 36 months prior to your Separation from Service and ending 36 months following such Separation from Service (1) a forfeiture of any gain recognized by you upon the sale of any shares of Stock received as a result of the vesting of the Performance Share Award, and (2) a forfeiture of any vested shares of Stock held by you as a result of the vesting of the Performance Share Award. For the avoidance of doubt, any Confidentiality/Non-Competition/Non-Solicitation Agreement entered into before or concurrently with this Agreement is covered by this provision as are any other applicable agreements whether executed before or after this Agreement.</p> <p>Nothing in this Agreement or the Plan shall prohibit you from (a) disclosing any confidential information to a government agency if you are required to produce the information pursuant to a subpoena, court order, administrative order or other legal process, (b) discussing terms and conditions of employment or engaging in other activities protected by the National Labor Relations Act, (c) communicating with the Securities and Exchange Commission about securities law violations, or (d) communicating with any other government entity or agency if such communication is to report a violation of applicable law.</p>
<p>Leaves of Absence</p>	<p>For purposes of this Agreement, you do not have a Separation from Service when you go on a bona fide employee leave of absence that was approved by your employer in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, you will be treated as having a Separation from Service 90 days after you went on employee leave, unless your right to return to active work is guaranteed by law or by a contract. You will incur a Separation from Service in any event when the approved leave ends unless you immediately return to active employee work.</p> <p>Your employer determines, in its sole discretion, which leaves count for this purpose, and when you have a Separation from Service for all purposes under the Plan, subject to applicable law. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.</p>

Issuance of Stock Pursuant to Vested Performance Share Award	<p>The shares of Stock issuable upon vesting of the Performance Share Award will be issued in book entry form as soon as practicable following the Vesting Date, but in no event later than December 31 of the calendar year following the end of the Performance Period, provided that if your Performance Share Award becomes vested by reason of a Qualifying CIC Termination, the shares of Stock issuable in connection with such Qualifying CIC Termination shall be issued within 60 days following the Qualifying CIC Termination, and if your Performance Share Award become vested by reason of your death or Disability, your shares of Stock will be issued within 60 days of your termination.</p>
Taxes	<p>You agree, as a condition of this grant, that you will make acceptable arrangements to pay any applicable income taxes, employment taxes, social insurance, social contributions, national insurance contributions, other contributions, payroll taxes, levies, payment on account obligations and any other tax-related items (“Applicable Taxes”), that may be due as a result of grant or vesting of the Performance Share Award or the issuance of shares of Stock acquired under this grant or the payment of any Dividend Equivalent Rights. In the event that the Company or any Affiliate determines that any Applicable Taxes are required to be collected, withheld or accounted for relating to the grant or vesting of the Performance Share Award or the issuance of shares of Stock acquired under this grant unless the Company provides notice of an alternate procedure in its discretion, you agree to facilitate the Company’s satisfaction of its withholding obligation by instructing a registered broker selected by the Company to sell the number of shares of Stock necessary to satisfy the Company’s withholding obligation, after deduction of the broker’s commission, and to remit the proceeds of such sale to the Company. Such sales shall be made pursuant to a mandatory “sell-to-cover” program instituted by the Company with no discretion on your part with respect to any sale. If the proceeds of such a sale exceed the Company’s withholding obligation, the Company will pay the excess to you as soon as practicable. If the proceeds of such a sale are less than the Company’s withholding obligation, you agree to pay any shortfall to the Company as soon as practicable, including through payroll withholding. You acknowledge that the Company and the broker are under no obligation to arrange for such sale at any particular price. In connection with the “sell-to-cover” program, you agree to execute any documents the broker may request to effectuate the sale of shares of Stock and satisfaction of the Stock and satisfaction of the Company’s withholding obligation.</p>
Retention Rights	<p>This Agreement and the Performance Share Award do not give you the right to be retained by the Company or any Affiliate in any capacity. The Company or any Affiliate reserves the right to terminate your Service at any time and for any reason, subject to applicable law.</p>

Stockholder Rights	You, or your estate or heirs, have no rights as a stockholder of the Company until the Stock has been issued upon vesting of your Performance Share Award and an appropriate entry has been made on the Company's books.
Insider Trading Policy	You acknowledge receipt of the Company's Insider Trading Policy (the "Policy"), attached hereto as Exhibit B . You agree to comply fully with the standards contained in the Policy (and related policies and procedures adopted by the company). You further understand that compliance with these standards, policies, and procedures is a condition of continued employment or association with the Company or any of its subsidiaries and that the Policy is only a statement of principles for individual and business conduct and does not, in any way, constitute an employment contract, an assurance of continued employment, or employment other than at-will. By acceptance of the Performance Share Award granted hereunder, you certify to your understanding of and intent to comply with the Policy.
Confidentiality/Non-Competition/Non-Solicitation Agreement	You acknowledge that you either (a) have entered into a Confidentiality/Non-Competition/Non-Solicitation Agreement with the Company or an Affiliate as of the date you accepted employment with the Company or an Affiliate or as of the date you were first granted Awards pursuant to the Plan, or (b) will concurrently enter into a Confidentiality/Non-Competition/Non-Solicitation Agreement if this Agreement relates to your first grant of an Award under the Plan (Exhibit C). In consideration of the Performance Share Award granted pursuant to this Agreement, you agree to be bound by the obligations in, and covenant to comply with, such Confidentiality/Non-Competition/Non-Solicitation Agreement that you have either previously entered into with the Company or are entering into with the Company concurrently with this Agreement, and you further understand that a failure to comply with the Confidentiality/Non-Competition/Non-Solicitation Agreement's terms and conditions may result in consequences as described in this Agreement.
Clawback	You acknowledge receipt of the Company's Incentive Compensation Recoupment Policy (the "Recoupment Policy"). You agree that your Incentive Compensation (as defined in the Recoupment Policy), including the Performance Share Award, is subject to the terms of the Recoupment Policy, which requires repayment by you to the Company of Incentive Compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of the Recoupment Policy. Notwithstanding anything in this Agreement to the contrary, you acknowledge and agree that this Agreement and the award described herein (and any settlement thereof) are subject to the terms and conditions of any other clawback policy as may be in effect from time to time, including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the shares of the Company may be traded).

Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
The Plan	<p>The text of the Plan is incorporated in this Agreement by reference.</p> <p><i>Certain capitalized terms used in this Agreement that are not defined herein or in the Notice of Grant are defined in the Plan, and have the meanings set forth in the Plan.</i></p> <p>This Agreement and the Plan constitute the entire understanding between you and the Company regarding this grant of the Performance Share Award. Any prior agreements, commitments or negotiations concerning this grant are superseded; except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and the Company or any Affiliate shall supersede this Agreement with respect to its subject matter.</p> <p>If there is any conflict between this Agreement and the Plan, or if there is any ambiguity in this Agreement, any term that is not defined in this Agreement or any matter as to which this Agreement is silent, in any such case, the Plan shall govern, including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (i) interpret the Plan, (ii) prescribe, amend and rescind rules and regulations relating to the Plan, and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan.</p>

Data PrivacyData Protection (European Union/European Economic Area/United Kingdom)

The Company and/or any of its local subsidiaries or other Affiliates, including your employer, will process your personal data in connection with the Plan and this Agreement in accordance with the terms of the privacy notice previously provided to you.

In the event the Company and/or any of its local subsidiaries or other Affiliates may need to process information relating to your health or the identity of your spouse or civil partner in order to operate the Plan, the Company will seek your explicit consent (in the case of information relating to your health), or, their consent (in respect of information relating to the personal identity of your spouse or civil partner), where appropriate.

Data Protection (Jurisdictions other than European Union/European Economic Area/United Kingdom)

In order to administer the Plan, the Company may process personal data about you. The Company may instruct its Affiliates to administer the Plan on its behalf. For a list of the Company's Affiliates from time to time please contact the Company's Chief Legal Officer.

The Company may process the following personal data in connection with the administration of the Plan:

- information provided in this Agreement and any changes thereto;
- contact information such as your home and business addresses, telephone numbers and email address;
- payroll information;
- start and end dates of employment;
- information about your employment that is relevant to awards under the Plan (for example details of performance required for performance-based awards); and
- other personal data about you that is necessary for the administration of the Plan.

This information may be provided to the Company by you or your employer.

By accepting this grant, you give explicit consent to the Company to process any such personal data or use Affiliates to process data on its behalf.

You also give explicit consent to the Company and any Affiliate to transfer any such personal data outside the country in which you work or are employed, including, with respect to non-U.S. resident participants, to the United States, to transferees who shall include the Company, any Affiliate and other persons who are designated by the Company to administer the Plan.

You are entitled to receive information about the processing of your personal data and to request that any incorrect data be rectified.

Notices	Any notices to be given under the terms of this Agreement shall be in writing and addressed to the Company at 8 Moore Drive, Durham, NC 27709, Attention: General Counsel, and to you at the address in the Company's books and records, or at such address as either party may hereafter designate in writing to the other.
Consent to Electronic Delivery	The Company may choose to deliver certain statutory materials relating to the Plan as well as any other documents related to the grant in electronic form. By accepting this grant you agree that the Company may deliver the Plan prospectus, the Company's annual report, and other grant-related materials to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to, the Company would be pleased to provide copies. Please email your request for paper copies to StockCompliance@Fortrea.com .
Electronic Signature	All references to signatures and delivery of documents in this Agreement can be satisfied by procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents, including this Agreement. Your electronic signature is the same as, and shall have the same force and effect as, your manual signature. Any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan.

Code Section 409A

“Separation from Service” shall have the meaning set forth in Section 409A of the Code and the guidance and regulations promulgated thereunder (“Section 409A”), which includes when the Company reasonably anticipates that your level of Services will permanently decrease to no more than 20 percent of the average level of Services you have performed over the immediately preceding 36-month period (or such lesser period of your Service with the Company and its Affiliates), which shall be interpreted consistently with the provisions of Section 409A, provided, however, that, notwithstanding the terms of Section 409A, if you continue employment with a former subsidiary of the Company following the sale of the subsidiary in a stock sale, merger, spin-off or other similar transaction and your Performance Share Award is not assumed in connection with such transaction, you will have a Separation from Service as of the consummation of such transaction and the terms in this Agreement regarding the effect of a Separation from Service without Cause will be given effect to the extent permitted under, or otherwise in accordance with, Section 409A.

It is intended that the Agreement comply with Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Agreement will be interpreted and administered to be in compliance with Section 409A. To the extent that the Company determines that you would be subject to the additional taxes or penalties imposed on certain nonqualified deferred compensation plans pursuant to Section 409A as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional taxes or penalties. The nature of any such amendment shall be determined by the Company. Notwithstanding anything to the contrary in this Agreement or the Plan, to the extent required to avoid accelerated taxation and penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Agreement during the six-month period immediately following your Separation from Service will instead be paid on the first payroll date after the six-month anniversary of your Separation from Service (or your death, if earlier). If accelerated vesting upon a Separation from Service is in connection with a Change in Control and the Change in Control does not constitute a “change in control event” for purposes of Section 409A (as defined below) or if otherwise required by Section 409A, the shares of Stock shall be issued as if you had not had a Separation from Service. Each installment of the Performance Share Award that vests under this Agreement (if there is more than one installment) will be considered one of a series of separate payments for purposes of Section 409A.

Additional Terms for Non-U.S. Grantees	Notwithstanding anything to the contrary in this Agreement, if you work and/or reside outside of the United States, you shall be subject to the Additional Terms and Conditions for Non-U.S. Grantees attached hereto as Addendum A and to any Country-Specific Terms and Conditions attached hereto as Addendum B. If you are a citizen or resident of a country (or are considered as such for local law purposes) other than the one in which you are currently working or residing or if you relocate to one of the countries included in the Country-Specific Terms and Conditions after the grant of the Performance Share Award, the special terms and conditions for such country will apply to you to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Additional Terms and Conditions for Non-U.S. Grantees and the Country-Specific Terms and Conditions constitute part of this Agreement and are incorporated herein by reference.
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By electronically acknowledging this Performance Share Award Agreement, you agree to all of the terms and conditions described above, in the Plan, in the Company's Insider Trading Policy attached as Exhibit B, and in the Confidentiality/Non-Competition/Non-Solicitation Agreement attached as Exhibit C.

FORTREA HOLDINGS INC.**First Amendment to
Restricted Stock Unit Agreement**

THIS FIRST AMENDMENT TO RESTRICTED STOCK UNIT AGREEMENT (the "First Amendment") is entered into effective September 13, 2024 by and between Fortrea Holdings Inc., a Delaware corporation (the "Company") and Thomas H. Pike ("Grantee").

RECITALS

WHEREAS, the Company and Grantee previously entered into an individual Restricted Stock Unit Agreement dated as of August 17, 2023 (the "RSU Agreement") setting forth the terms and conditions of a time-vested RSU award to Grantee under the 2023 Omnibus Incentive Plan (the "Plan");

WHEREAS, Section 3.3.1 of the Plan gives the Management Development and Compensation Committee (the "Committee") the authority to establish and amend the terms and conditions of each Award (subject to certain limitations not implicated here);

WHEREAS, Section 18.3 of the Plan gives the Committee broad discretion over how grantees may be permitted to satisfy their withholding obligations; and

WHEREAS, the section of the Grantee's RSU Agreement titled "Withholding Taxes" currently requires that the Grantee satisfy his withholding obligations by means of share with holding and both the Company and the Grantee instead prefer that the Grantee satisfy his withholding obligations by means of a sell-to-cover process; and

WHEREAS, the Committee hereby desires to amend certain terms of the RSU Agreement as set forth below to expressly provide that the Grantee will satisfy his withholding obligations by means of a sell-to-cover process.

NOW, THEREFORE, the parties to this Agreement, intending to be legally bound thereby, agree as follows:

1. Any capitalized terms not defined herein shall have the meanings ascribed to such terms in the Plan or the RSU Agreement.
2. The section of the RSU Agreement titled "Withholding Taxes" is hereby amended by deleting the current language in its entirety and replacing it with the following:

You agree, as a condition of this grant, that you are ultimately responsible for paying any withholding or other taxes that may be due as a result of the grant or vesting of Restricted Stock Units or the issuance of shares of Stock acquired under this grant.

In the event that the Company or any Affiliate determines that any federal, state, local or foreign tax or withholding payment is required relating to the grant or vesting of the Restricted Stock Units or the issuance of shares of Stock acquired from this grant, unless the Company provides notice of an alternate procedure in its discretion, you agree to facilitate the Company's satisfaction of its withholding obligation by instructing a registered broker selected by the Company to sell the number of shares of Stock necessary to satisfy the Company's withholding obligation, after deduction of the broker's commission, and to remit the proceeds of such sale to the Company. Such sales shall be made pursuant to a mandatory "sell-to-cover" program instituted by the Company with no discretion on your part with respect to any sale. If the proceeds of such a sale exceed the Company's withholding obligation, the Company will pay the excess to you as soon as practicable. If the proceeds of such a sale are less than the Company's withholding obligation, you agree to pay any shortfall to the Company as soon as practicable, including through payroll withholding. You acknowledge that the Company and the broker are under no obligation to arrange for such sale at any particular price. In connection with the "sell-to-cover" program, you agree to execute any documents the broker may request to effectuate the sale of shares of Stock and satisfaction of the Stock and satisfaction of the Company's withholding obligation.

3. Except as herein amended by this Amendment, the terms and provisions of the original RSU Agreement shall remain in full force and effect as originally executed without modification or revision.

4. This First Amendment shall be governed and construed and enforced in accordance with the laws of the State of Delaware, without reference to the choice of law provisions of such laws.

5. This First Amendment and the original RSU Agreement, as amended and modified by this First Amendment, shall constitute and be construed as a single agreement.

[Signature page follows]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this First Amendment to Restricted Stock Unit Agreement, and the Grantee has placed Grantee's signature hereon, effective as of the date first written above.

Fortrea Holdings Inc.

By: */s/ Stillman Hanson*

Name: Stillman Hanson

Title: General Counsel

GRANTEE:

/s/ Thomas H. Pike

Thomas H. Pike

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas Pike, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fortrea Holdings Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Omitted pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)];
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2024

/s/ Thomas Pike

Thomas Pike

President and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jill McConnell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fortrea Holdings Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Omitted pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)];
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2024

/s/ Jill McConnell

Jill McConnell

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas Pike, Chief Executive Officer of Fortrea Holdings Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 8, 2024

/s/ Thomas Pike

Thomas Pike

President and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jill McConnell, Chief Financial Officer of Fortrea Holdings Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 8, 2024

/s/ Jill McConnell

Jill McConnell

Chief Financial Officer

(Principal Financial Officer)