

Morgan Stanley Healthcare Conference

September 12, 2012
New York, NY



Forward Looking Statement

This slide presentation contains forward-looking statements which are subject to change based on various important factors, including without limitation, competitive actions in the marketplace and adverse actions of governmental and other third-party payors.

Actual results could differ materially from those suggested by these forward-looking statements. Further information on potential factors that could affect the Company's financial results is included in the Company's Form 10-K for the year ended December 31, 2011, and subsequent SEC filings.



Introduction

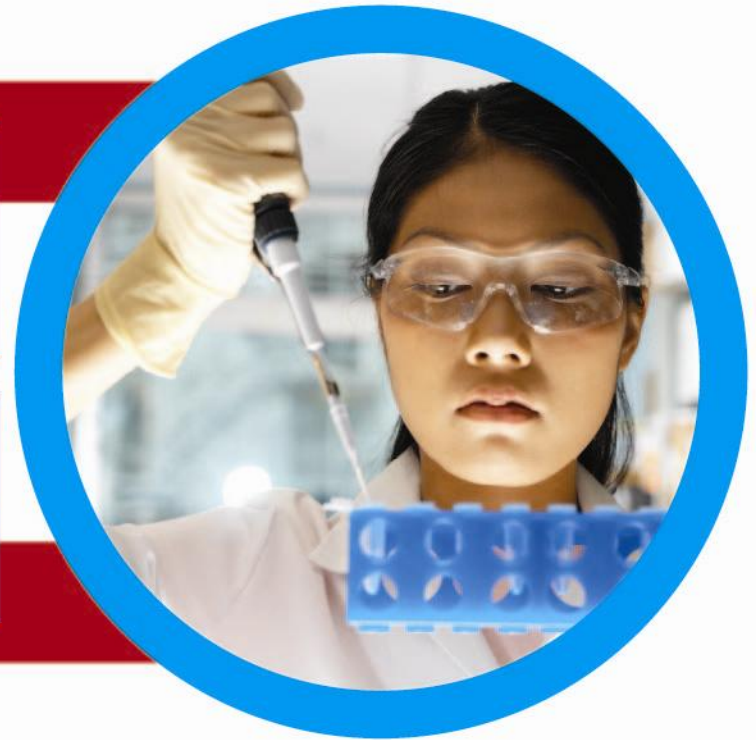
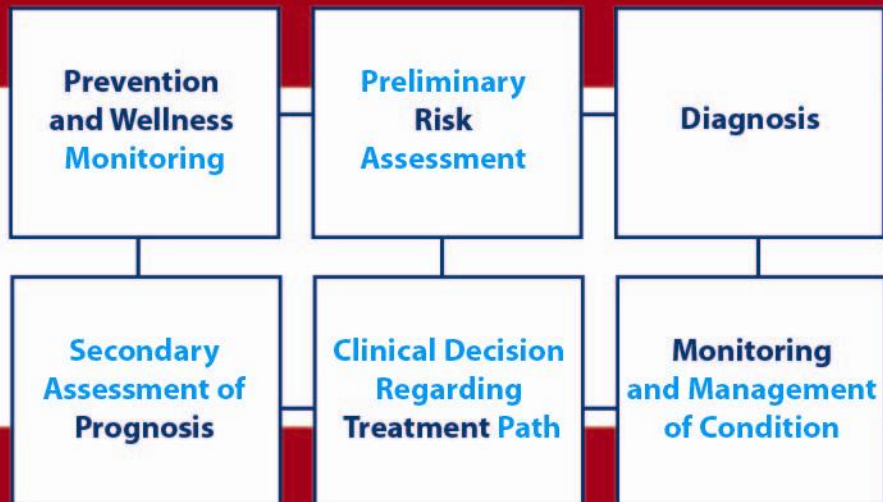
Leading National Lab Provider

- Fastest growing national lab
- \$55 billion market
- Clinical, Anatomic and Genomic testing
- Serving clients in all 50 states and Canada
- Foremost worldwide clinical trials testing business



Introduction

Laboratory Testing



Health Care Continuum

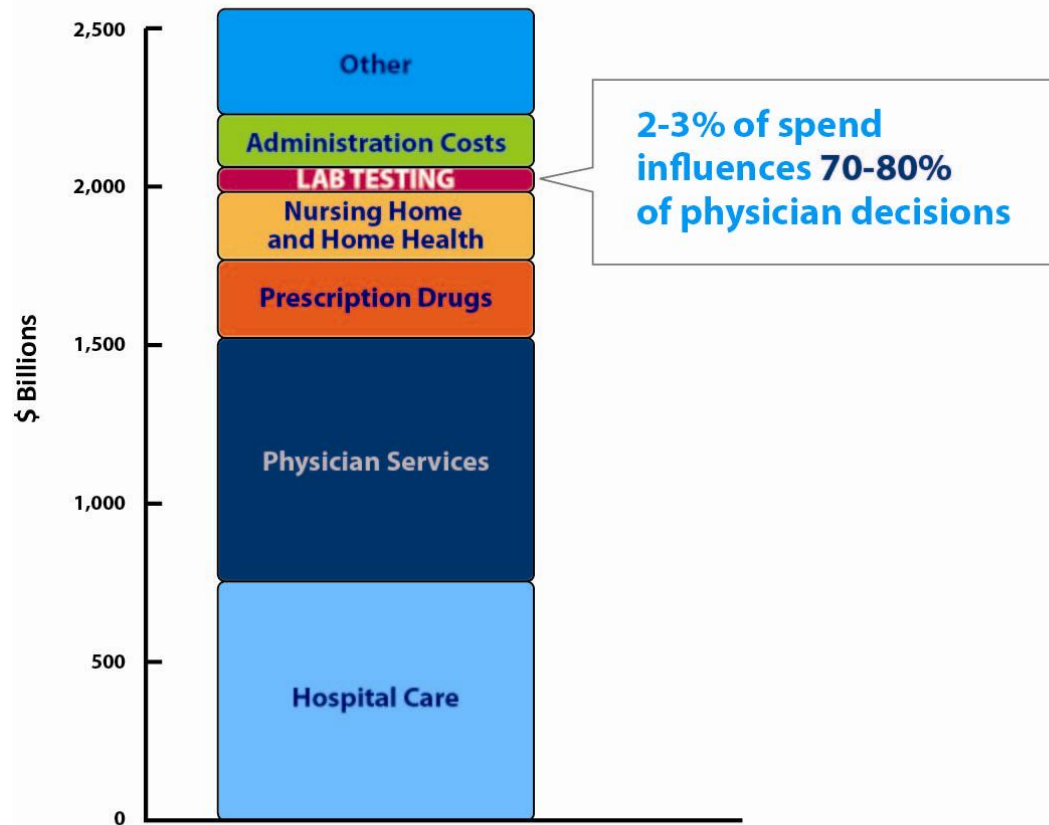
Source: Deloitte (OAML)

Attractive Market

Valuable Service

- Small component of total cost influences large percentage of clinical decisions
- Screening, early detection, and monitoring reduce downstream costs
- Companion diagnostics improve drug efficacy and safety

2011 Projected US Health Care Spend \$2.7 Trillion

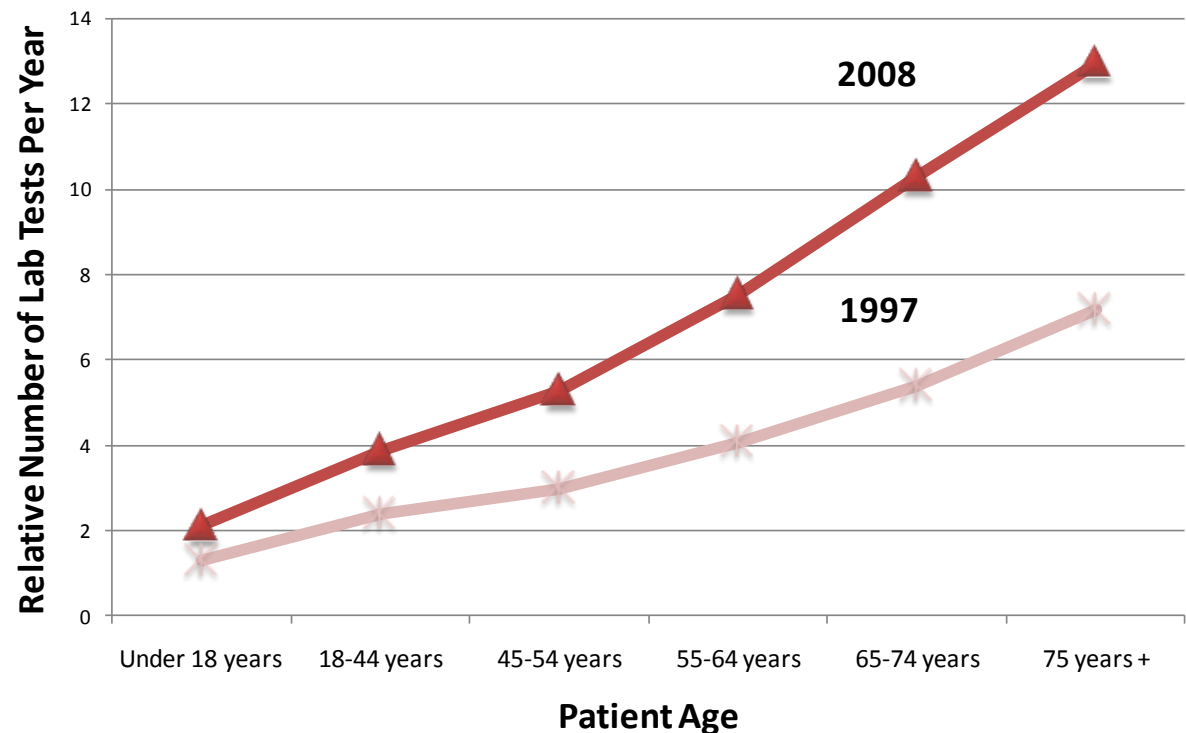


Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; and U.S. Department of Commerce, Bureau of Economic Analysis and U.S. Bureau of the Census, and company estimates.

Attractive Market

Growth Drivers

- Aging population
- Industry consolidation
- Advances in genomics
- Pharmacogenomics/
companion diagnostics
- Cost pressures will reward
lower cost and more
efficient labs



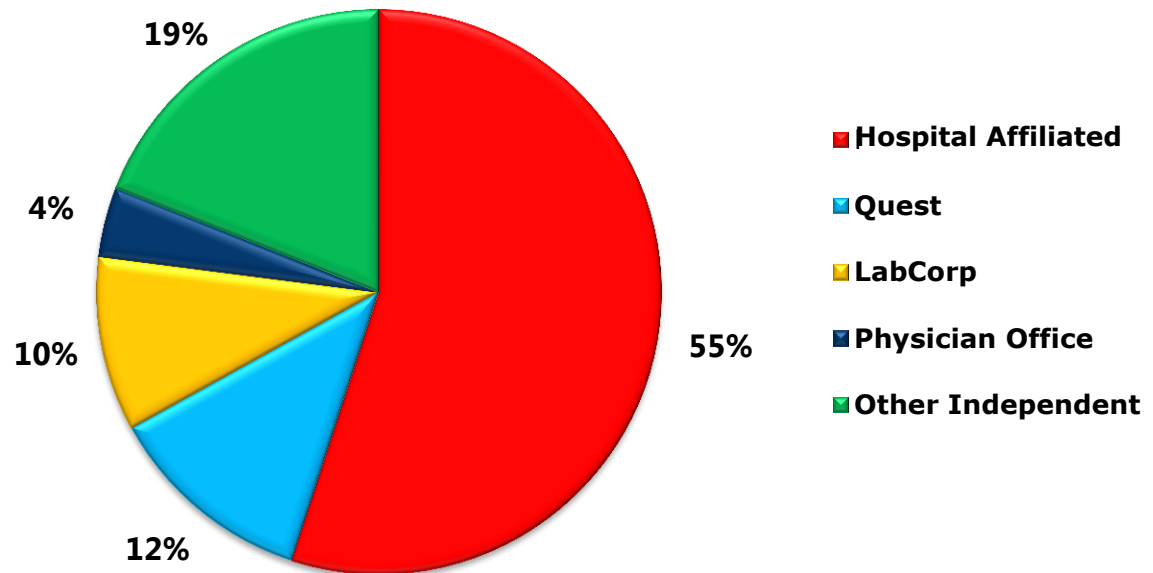
Source: CDC National Ambulatory Medical Care Survey and Company Estimates

Attractive Market

Opportunity to Take Share

- Approximately 5,000 independent labs
- Less efficient, higher cost competitors

\$55 Billion US Lab Market



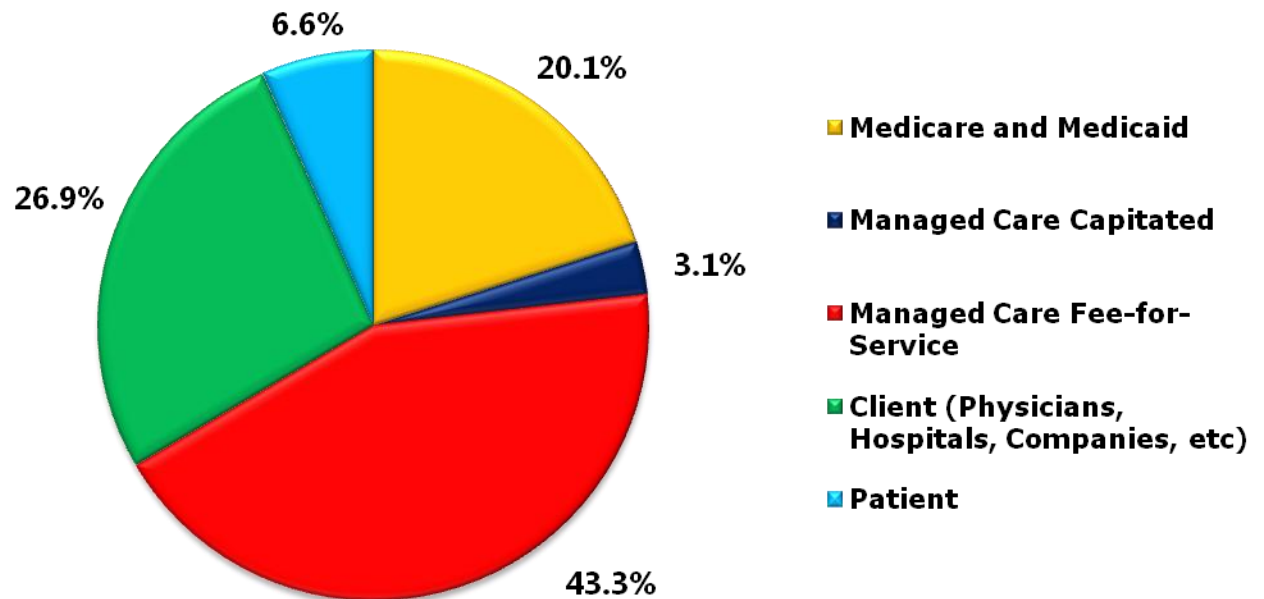
Source: Washington G-2 Reports and Company estimates

Attractive Market

Diversified Payor Mix

- No customer > 10% of revenue
- Limited government exposure

LabCorp U.S. Payor Mix % of revenue, 2011

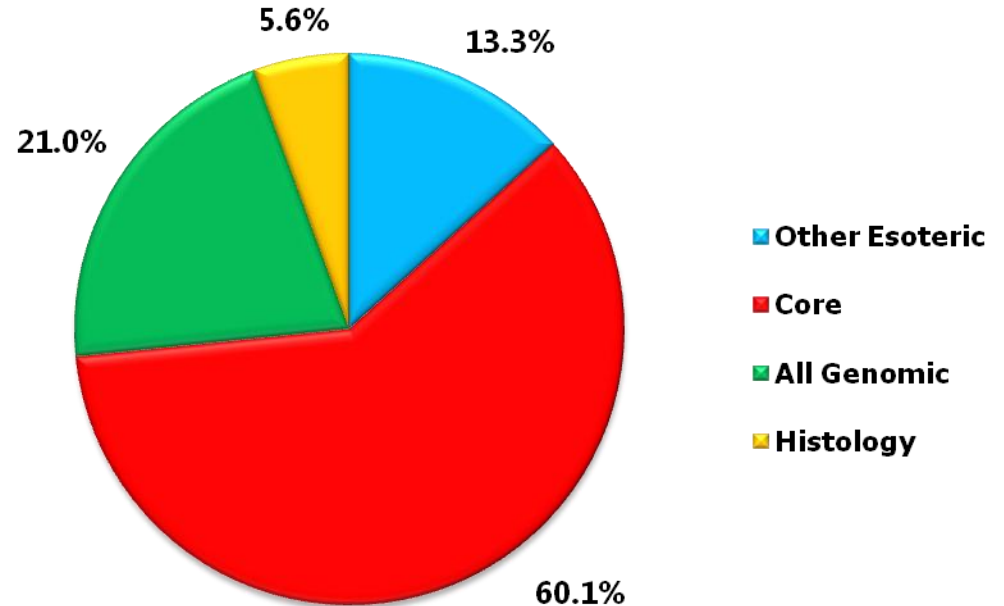


Attractive Market

Diversified Test Mix

With recent acquisitions, esoteric testing comprises approximately 41% of revenue

**LabCorp U.S. Test Mix
% of revenue, 2011**



Mission Statement

Five Pillar Strategy

**We Will Offer The Highest
Quality Laboratory Testing
and Most Compelling Value
to Our Customers**

We Will Execute This Mission Through
Our **Five Pillar Strategy**

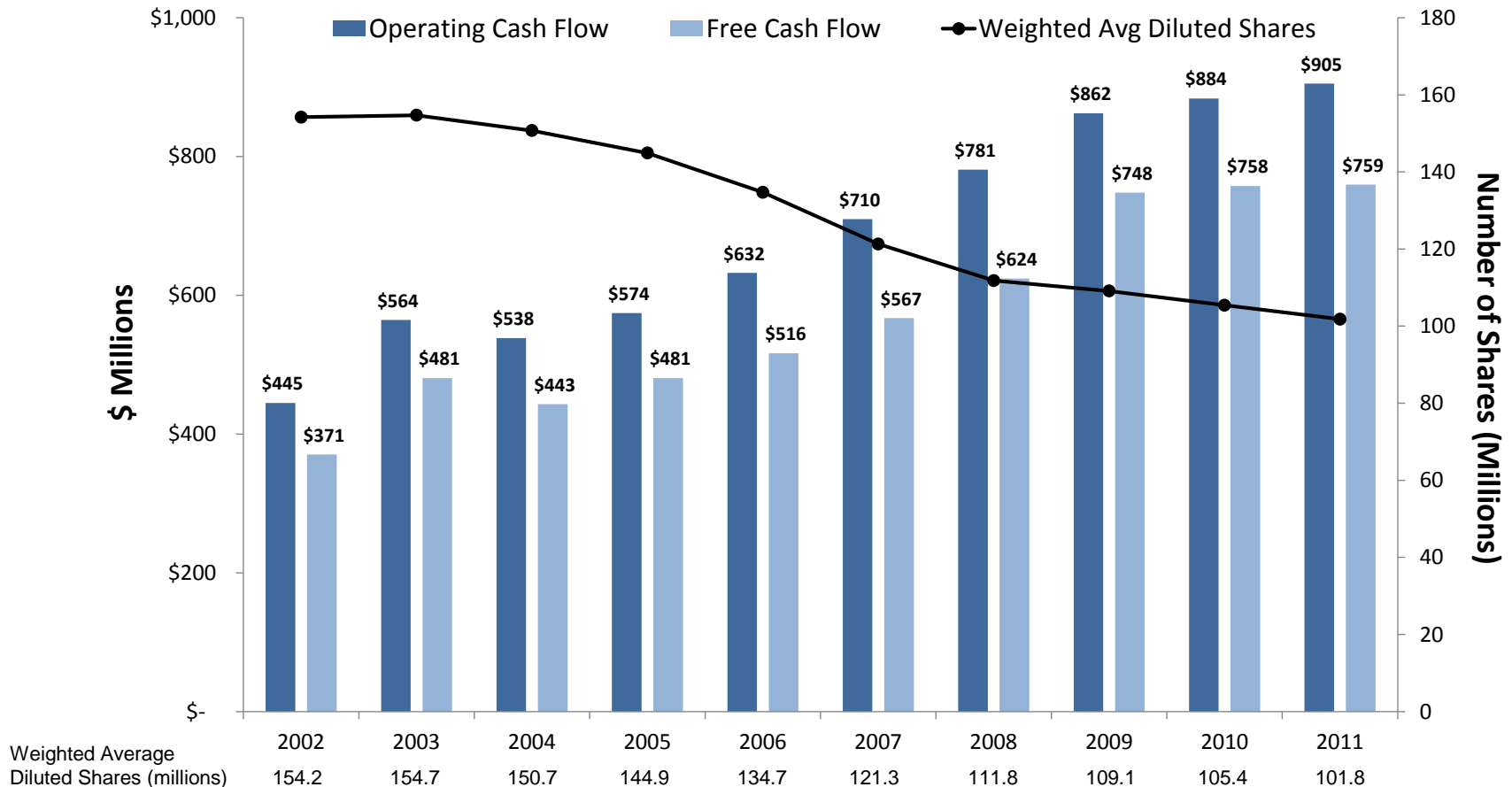


**Deploy Cash to Enhance
Footprint and Test Menu
and to Buy Shares**



Cash Flow Trends

12.8% FCF CAGR from 2001-2011



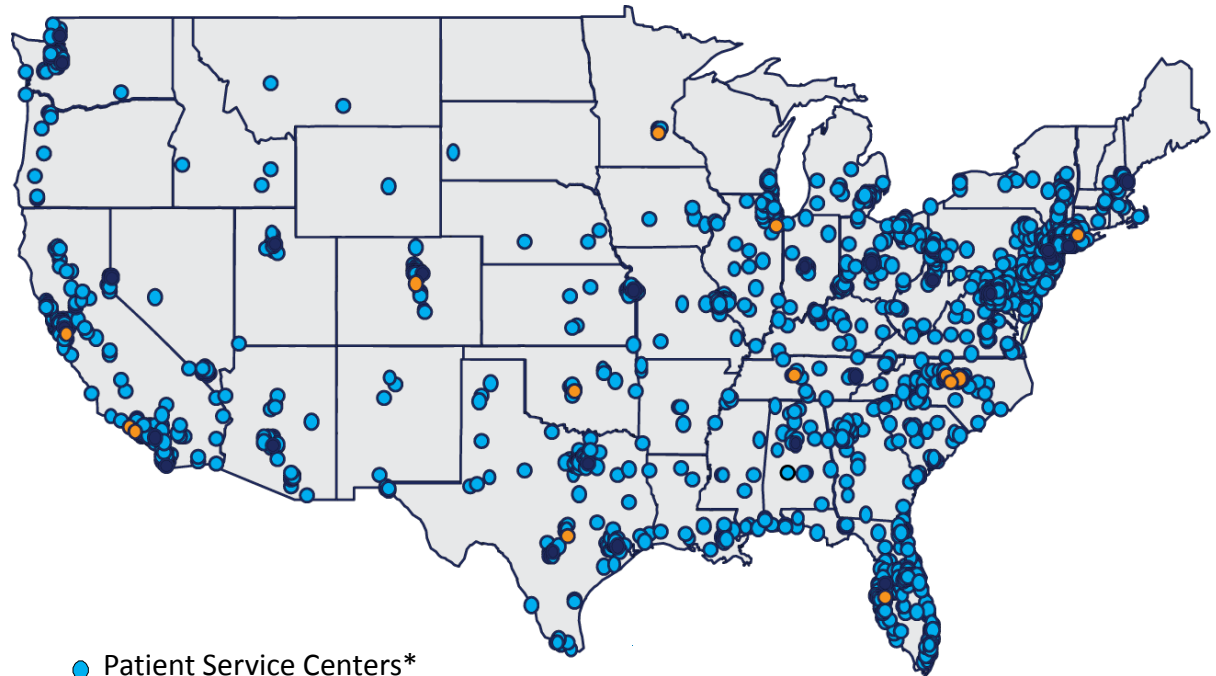
Note: 2011 Free Cash Flow calculation above does not include the \$49.5 million Hunter Labs settlement
 Free Cash Flow is a non-GAAP metric (see reconciliation of non-GAAP Financial Measures included herein)
 Free Cash Flow CAGR calculation uses 2001 data (2001 Free Cash Flow was \$228 million)

Five Pillar Strategy—Pillar One

Competitive Position

Scale and Scope

- National infrastructure
- Broad test offering
- Managed care contracts
- Economies of scale



● Patient Service Centers*

● Primary LabCorp Testing Locations*

● Esoteric Lab Locations

(CET, CMBP, Dianon, Esoterix, Monogram Biosciences, NGI, OTS, US Labs, Viomed)

Key Uses of Cash

- **Acquisitions**
 - Genzyme Genetics*
 - Orchid Cellmark
 - MEDTOX Scientific
- **Share Repurchase**
 - \$337 million in 2010
 - \$644 million in 2011
 - \$253 million in 1H 2012

*GENZYME GENETICSSM and its logo are trademarks of Genzyme Corporation and used by Esoterix Genetic Laboratories, LLC, a wholly-owned subsidiary of LabCorp, under license. Esoterix Genetic Laboratories and LabCorp are operated independently from Genzyme Corporation.



Five Pillar Strategy—Pillar One

Genzyme Genetics Rebranding

Two new names in specialized testing

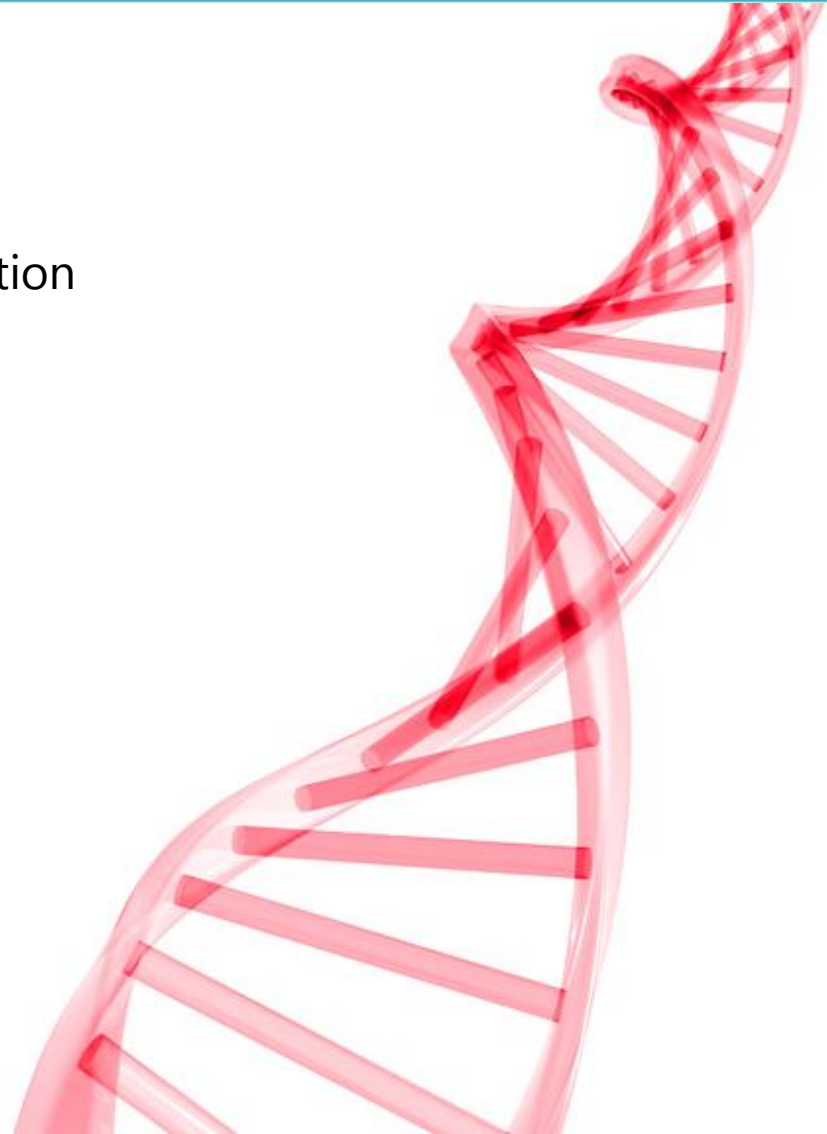
- As part of a broad rebranding of LabCorp's specialty testing capabilities, we adopted the name Integrated Genetics for the reproductive portion of the Genzyme Genetics business and LabCorp's legacy genetics business.
- We adopted the name Integrated Oncology for the oncology portion of the Genzyme Genetics business and LabCorp's legacy oncology business.



Five Pillar Strategy—**Pillar One**

Importance of Genetics

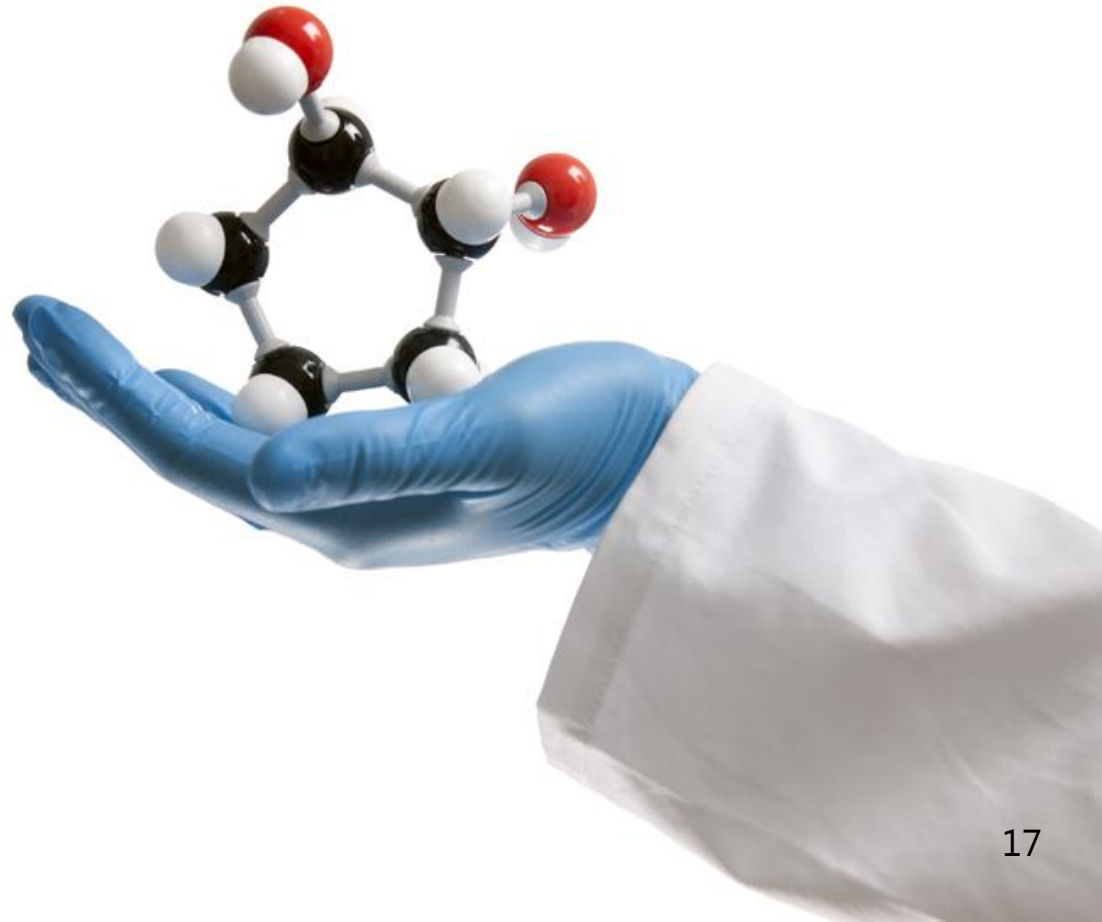
- Preconception
- Pre- and post-natal
- Identification of disease carriers
- Identification of disease predisposition
- Diagnosis of genetically caused or influenced conditions (e.g., developmental delay)
- Disease prognosis and treatment (especially cancer)



Five Pillar Strategy—Pillar One

Importance of Oncology

- More sophisticated methods of cancer testing complement traditional biopsies
- Value of diagnostics for disease prognosis, and monitoring of progression and recurrence
- Critical role of testing in therapy selection



**Enhance IT Capabilities
To Improve Physician
and Patient Experience**



LabCorp Beacon™ | Five Pillar Strategy—Pillar Two Physician Experience

Intuitive Order Entry

- **Streamlined ordering**
Provider, Diagnosis, Test and Collection information are all displayed in a single screen
- **Requisition and account logic**
Automatically generates requisitions with appropriate account numbers
- **Key time-saving features**
 - Send to PSC
 - Standing orders
 - Electronic add-on testing
 - User-defined pick lists

The screenshot displays the LabCorp Beacon 'Orders / New Order' interface. At the top, navigation tabs include Home, Results, Orders (active), Patients, and Trends. The form contains the following sections:

- Header:** VISIT DATE: 04/25/10, ORDERED BY: Dr. AnyProvider, STATUS: --
- Patient, Anyname:** Fields for GENDER (Male), D.O.B. (02/14/1932), AGE (64 yrs), MRN (000000000), PHONE (000-000-0000), and BILL METHOD (Medicare).
- Patient Visit Information:** Includes PROVIDER LOCATION (Medical Center West), PATIENT CLASSIFICATION Type (NP), and a list of locations (Medical Center West, Medical Center East, Medical Center North).
- Diagnosis Codes:** A table with columns for DIAGNOSIS CODE and DIAGNOSIS DESCRIPTION.

DIAGNOSIS CODE	DIAGNOSIS DESCRIPTION
122.40	Echinococcus granulosus infection unspecified
128.90	Helminth infection unspecified
393.00	Chronic rheumatic pericarditis
- Tests and Panels:** A table with columns for TEST CODE, TEST NAME, SPECIMEN TYPE, OPT CODES, and SYNONYMS.

TEST CODE	TEST NAME	SPECIMEN TYPE	OPT CODES	SYNONYMS
005009	Complete Blood Count (CBC) With Differential (Details)	Whole Blood	85025	CBC
Instructions: Maintain specimen at room temperature up to 24 hours. Refrigerate up to 48 hours.				
322758	Basic Metabolic Panel (B) (Details)	Serum (preferred) or plasma	80048	BMP Basic Metabolic Panel
235010	Lipid Panel With LDL-HDL Ratio (Details)	Serum (preferred) or plasma	80061	
- Requisitions and Specimen Collection:** A section at the bottom with 'Cancel', 'Save Order', and 'Collect & Send' buttons.

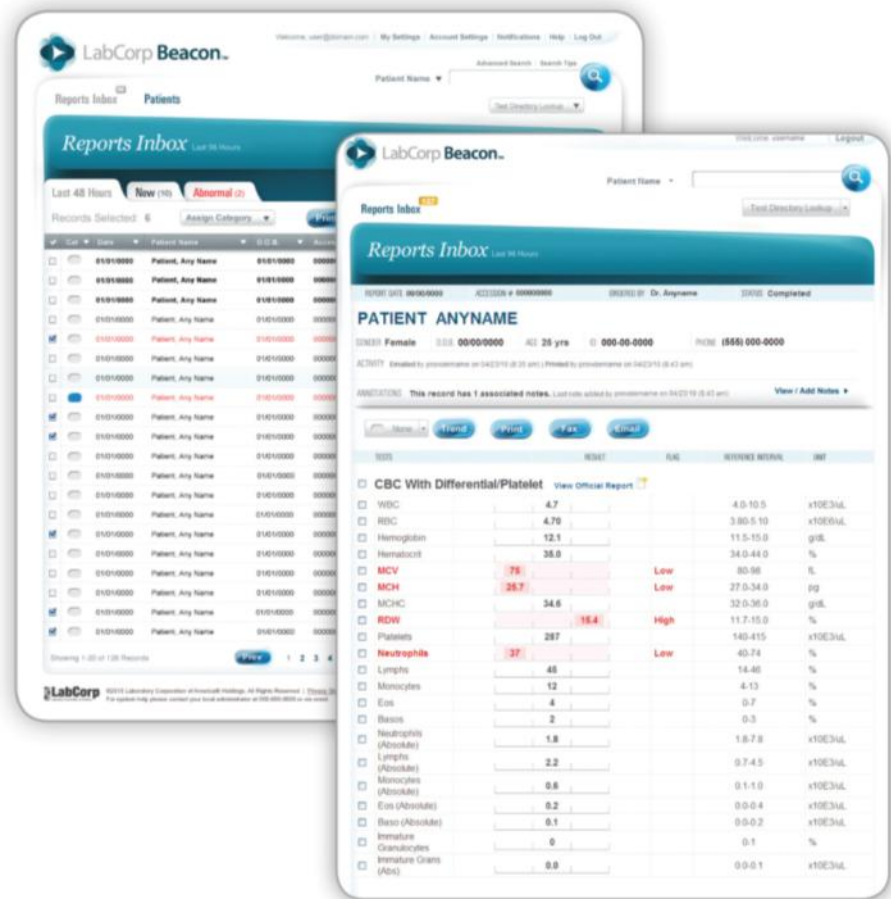
The footer includes the LabCorp logo and copyright information: ©2010 Laboratory Corporation of America Holdings. All Rights Reserved. Privacy Statement.

Five Pillar Strategy—Pillar Two

LabCorp Beacon™ | Physician Experience

Unified Results

- **Centralizes lab connectivity**
View lab reports from DIANON Systems, Esoterix, LabCorp, Litholink, US Labs, and CMBP
- **Share results**
Email, fax, print and annotations make it easy to share critical information
- **Visual cues**
Supports physician decision making, enhances the timeliness of patient care and facilitates follow-up with abnormal results in red and unread reports in bold

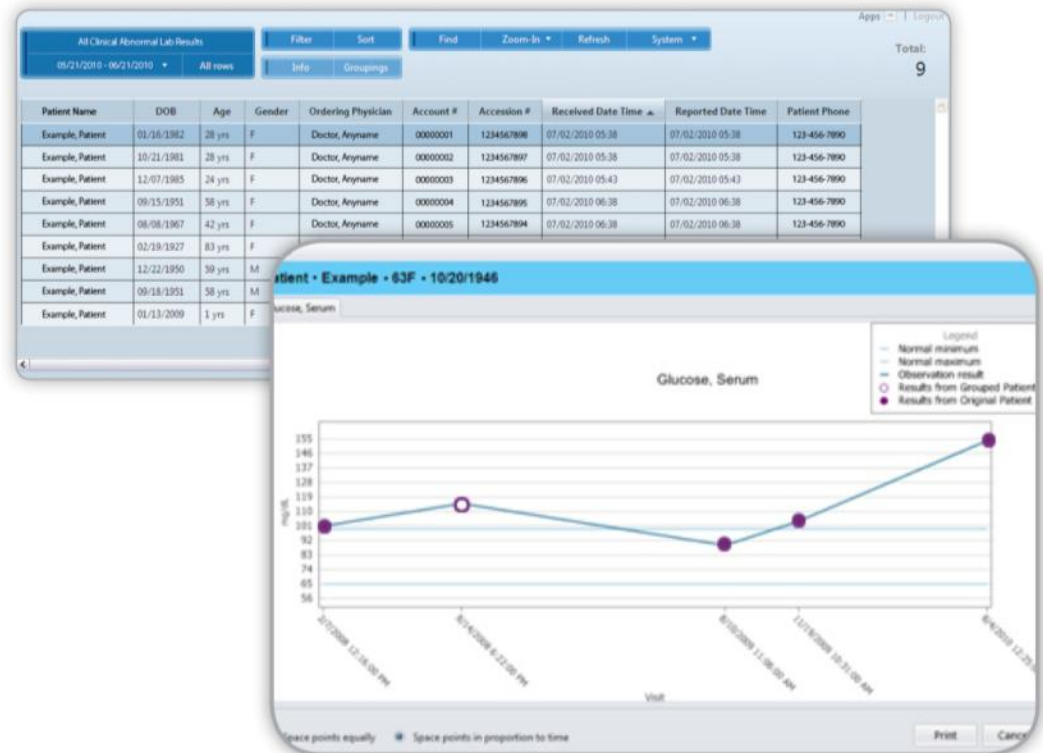


Five Pillar Strategy—Pillar Two

LabCorp Beacon™ | Physician Experience

Trends & Analytics

- **One-click trending**
Physicians and staff can quickly view a single test or analyte for one patient and the trended history for that patient
- **Sort and filter results**
Providers can filter their entire patient population on demographics and test results to identify trends and patients at risk
- **View lab history**



AccuDraw Integration

- **Reduce errors**
- **Reduce training time**
- **Proven results**
Success in LabCorp Patient Service Centers will be extended to customers

Online Appointment Scheduling

- **Patient convenience**
- **Improved service experience**
- **2011 enhancements improve the collection of payment at the time of scheduling**

The screenshot displays the AccuDraw integration interface, which provides clear instructions for blood collection and submission. It is divided into two main sections: 'To Collect' and 'To Submit'.

To Collect: This section shows the collection order for two tubes. The first tube is a Blue Top (Sodium Citrate) tube, with a volume of 2.7 mL. The second tube is a Serum Gel Tube, with a volume of 8.5 mL. Below the tube images, there are instructions: 'Blue Top (Sodium Citrate) 1: Tube must be filled to 90% capacity to avoid rejection for coagulation tests.' and 'Serum Gel Tube'.

To Submit: This section shows the submission order for the same two tubes. The first tube is a Blue Top (Sodium Citrate) tube, with a volume of 1.00 mL. The second tube is a Serum Gel Tube, with a volume of 2.00 mL. Below the tube images, there are instructions: 'Blue Top (Sodium Citrate) 1: Tube must be filled to 90% capacity to avoid rejection for coagulation tests.' and 'Serum Gel Tube'.

The interface also includes a 'Print Guide' button and a 'Requisition' field with the value '0000000000'. At the bottom, there are buttons for 'Cancel', 'Save Order', and 'Submit Order'.

Five Pillar Strategy—Pillar Two

LabCorp Beacon™ | Patient Experience

Patient Portal

- **Make an appointment**
24 hours a day
- **Receive lab results**
as easily as checking email
- **Share lab results**
securely and privately
- **Pay bills online**
easily and securely
- **Get notifications and alerts**
automatically
- **Manage health care information**
for the entire family

The screenshot displays the LabCorp Beacon Patient Portal. At the top, a navigation bar includes links for 'Welcome, Patient Name', 'Account Settings', 'Help', and 'Log Out'. Below this is a header with the LabCorp Beacon logo and a patient profile section showing 'Patient Name' and an 'Add or switch person' dropdown. A blue navigation bar contains 'Home', 'Lab Results', and 'Profile' tabs. The main content area is divided into several sections: 'Lab Test Results' with a table of recent tests, 'I Want to...' with quick action buttons for paying bills, scheduling appointments, finding labs, sharing health information, and getting answers to questions, 'Personal Profile' with current information and a change button, 'Calendar' with a next appointment and a schedule button, and 'Health Library' with a search for tests. The bottom of the page features a footer with copyright information and the LabCorp logo.

LabCorp Beacon™: Patient

Welcome, Patient Name | Account Settings | Help | Log Out

Patient Name
Add or switch person

Home Lab Results Profile

Lab Test Results

[View all lab test results](#)

New lab test results

Date of Service	Ordering Physician	Account Name	
Mar 10, 2011	Dr. Name	MD Office #1	View
Mar 07, 2011	Dr. Name	MD Office #2	View
Feb 24, 2011	Dr. Name	MD Office #3	View
Feb 11, 2011	Dr. Name	MD Office #4	View
Nov 15, 2010	Dr. Name	MD Office #5	View

Recently viewed lab test results

Date of Service	Ordering Physician	Account Name	
Oct 07, 2010	Dr. Name	MD Office #6	View
Aug 12, 2010	Dr. Name	MD Office #6	View

I Want to...

- [Pay My Bill](#)
Pay >
- [Schedule a Lab Appointment](#)
12345 [Find >](#)
- [Find a Lab](#)
Enter Zip Code [Find >](#)
- [Share Health Information](#)
Share >
- [Get Answers to Questions](#)
[View FAQs >](#)

Personal Profile

KEEP INFO UP TO DATE

Current Information
Patient Name
123 Anystreet St
Anytown, US 12345
[Update](#)

Calendar

NEXT APPOINTMENT | [View all](#)

Nov 10, 2011 8:30 AM
Conf#123456789
123 Main, Suite 1
Anytown, US 12345
123-456-7890
[Change](#) | [Cancel](#)

Schedule an Appointment
Search for labs in your area
12345 [Find >](#)

Health Library

LEARN ABOUT TESTS

Learn more about routine or specialized tests used to diagnose and manage specific health conditions.

[Search tests](#)

Powered by:
Lab Tests Online®

**Continue to Improve Efficiency to
Offer the Most Compelling Value in
Laboratory Services**



Five Pillar Strategy—Pillar Three **Most Efficient Provider**

- Standardized lab and billing IT systems
- Automation of pre-analytics
- Supply chain optimization
- Sysmex fully automated hematology operations
- Consistent gross margin improvement (net of acquisitions)
- Bad debt reduction of approximately 90 bp since the beginning of 2009



**Scientific Innovation
At Appropriate Pricing**



Five Pillar Strategy—Pillar Four

Scientific Innovation

• Companion diagnostics and personalized medicine

- IL-28B
- BRAF V600E metastatic melanoma (Zelboraf)
- Vysis ALK Break Apart FISH probe (XALKORI)
- K-RAS
- HLA-B* 5701
- EGFR Mutation Analysis
- HCV GenoSure® NS3/4A
- PhenoSense®, PhenoSense GT®
- HERmark®
- CYP 450 2C19

• Women's health

- ROMA
- Nuswab STD testing on a single swab
- Expanded Vaginitis and Candida testing
- Expanded options for HPV DNA testing

• Outcome improvement programs

- CKD and CVD programs
- Litholink kidney stone program
- Bone (osteoporosis) program

• Clearstone acquisition

- Global clinical trials capability
- Presence in China

FDA approves Zelboraf and companion diagnostic test for late-stage skin cancer

“This has been an important year for patients with late-stage melanoma. Zelboraf is the second new cancer drug approved that demonstrates an improvement in overall survival,”

Richard Pazdur, M.D., director of the Office of Oncology Drug Products in the FDA's Center for Drug Evaluation and Research.

FDA approves Xalkori with companion diagnostic for a type of late-stage lung cancer

“The approval of Xalkori with a specific test allows the selection of patients who are more likely to respond to the drug. Targeted therapies such as Xalkori are important options for treating patients with this disease and may ultimately result in fewer side effects.”

Richard Pazdur, M.D., director of the Office of Oncology Drug Products in the FDA's Center for Drug Evaluation and Research.

FDA clears HE4 test in ROMA for ovarian malignancy risk

“Using ROMA with HE4 and CA 125 significantly improves our ability to identify women who are at high or low likelihood of ovarian cancer when they present with an ovarian cyst or mass,”

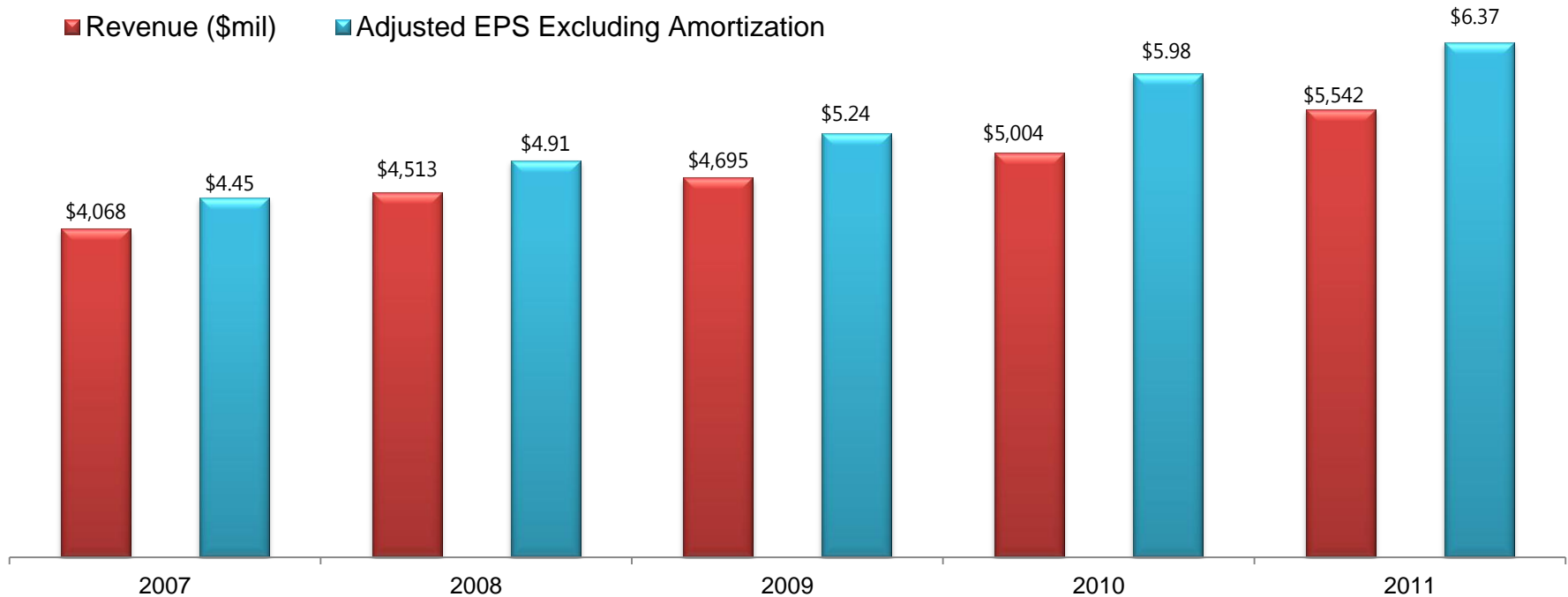
Richard Moore, MD, associate professor of Obstetrics and Gynecology at the Alpert School of Medicine at **Brown University** and director of the Center for Biomarkers and Emerging Technologies in the Program for Women's Oncology at **Women and Infants' Hospital** (Providence, Rhode Island).

Alternative Delivery Models



Excellent Performance

Revenue and Adjusted EPS Excluding Amortization Growth: 2007 – 2011 ⁽¹⁾ ⁽²⁾ ⁽³⁾



- (1) Excluding the \$0.25 per diluted share impact of restructuring and other special charges and the \$0.27 per diluted share impact from amortization in 2007; excluding the \$0.44 per diluted share impact of restructuring and other special charges and the \$0.31 per diluted share impact from amortization in 2008; excluding the (\$0.09) per diluted share impact of restructuring and other special charges and the \$0.35 per diluted share impact from amortization in 2009; excluding the \$0.26 per diluted share impact of restructuring and other special charges and the \$0.43 per diluted share impact from amortization in 2010; excluding the \$0.72 per diluted share impact of restructuring and other special charges, the \$0.03 per diluted share impact from a loss on the divestiture of assets and the \$0.51 per diluted share impact from amortization in 2011
- (2) EPS, as presented represents adjusted, non-GAAP financial measures. Diluted EPS, as reported in the Company's Annual Report were: \$2.45 in 2004; \$2.71 in 2005; \$3.24 in 2006; \$3.93 in 2007; \$4.16 in 2008; \$4.98 in 2009; \$5.29 in 2010; and \$5.11 in 2011
- (3) 2008 revenue includes a \$7.5 million adjustment related to the Company's acquisition of U.S. Labs

Recent Accomplishments

Our Results

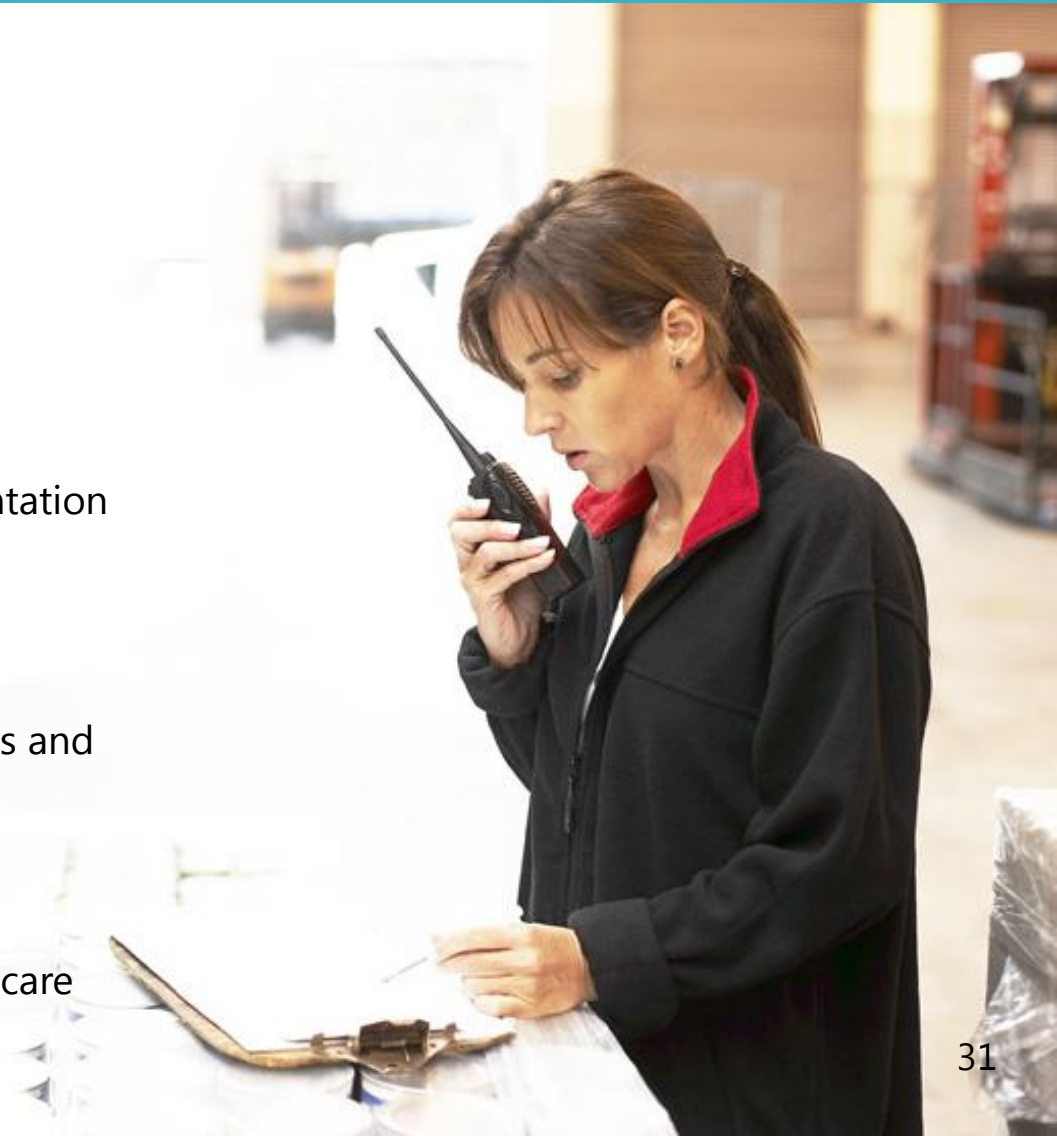
- **Profitable growth and capital deployment**
 - Esoteric growth
 - Maintained price
 - Acquisitions
- **Improved IT and client connectivity**
 - Beacon order entry rollout
 - Introduced LabCorp Patient Portal
 - Enhanced physician and patient experience
- **Continued efficiency programs**
 - Increased throughput
(specimens per employee up 40% since 2007)
 - Call center consolidation
 - Lowered bad debt
- **Furthered scientific leadership**
 - Clearstone acquisition
 - New offerings in Women's Health and companion diagnostics
- **Extended UnitedHealthcare contract through the end of 2018; multi-year extension of the Wellpoint and Horizon contracts**



2012 Priorities

Our Focus

- **Pillar One – Cash Deployment**
 - Genzyme Genetics integration
 - Accretive acquisitions
 - Repurchase shares
- **Pillar Two – Enhance IT Capabilities**
 - Expand Beacon functionality
 - Deploy Patient Portal nationally
- **Pillar Three – Improve Efficiency**
 - Complete Touch/Accudraw implementation
 - Complete Burlington lab expansion
 - Facility rationalization
- **Pillar Four – Scientific Leadership**
 - Enhance scientific leadership
 - Introduce new companion diagnostics and personalized medicine offerings
 - Grow clinical trials business
- **Pillar Five – Alternative Models**
 - Explore alternative delivery models
 - Broaden relationships with managed care



Full Year 2011 Results

	Twelve Months Ended Dec 31,		
	2011	2010	+/(−)
Revenue	\$5,542.3	\$5,003.9	10.8%
Adjusted Operating Income ⁽¹⁾	\$1,064.9	\$1,016.5	4.8%
Adjusted Operating Income Margin ⁽¹⁾	19.2%	20.3%	-110bp
Adjusted EPS Excluding Amortization ⁽¹⁾	\$6.37	\$5.98	6.5%
Operating Cash Flow ⁽²⁾	\$855.6	\$883.6	-3.2%
Less: Capital Expenditures	<u>(\$145.7)</u>	<u>(\$126.1)</u>	<u>15.5%</u>
Free Cash Flow	\$709.9	\$757.5	-6.3%

(1) See Reconciliation of non-GAAP Financial Measures (included herein)

(2) Operating Cash Flow was reduced by \$49.5 million as a result of the Hunter Labs settlement

Operating Cash Flow	\$855.6
Hunter Labs settlement	<u>\$49.5</u>
Adjusted Operating Cash Flow	\$905.1

Note: During both the first quarter of 2010 and the first quarter of 2011, inclement weather reduced Adjusted EPS Excluding Amortization by approximately eight cents

Second Quarter 2012 Results

	Three Months Ended Jun 30,		
	2012	2011	+/(−)
Revenue	\$ 1,423.4	\$ 1,403.3	1.4%
Adjusted Operating Income ⁽¹⁾	\$ 280.3	\$ 279.6	0.3%
Adjusted Operating Income Margin ⁽¹⁾	19.7%	19.9%	(20) bp
Adjusted EPS Excluding Amortization ⁽¹⁾	\$ 1.77	\$ 1.64	7.9%
Operating Cash Flow	\$ 186.3	\$ 184.9	0.8%
Less: Capital Expenditures	\$ (34.1)	\$ (45.8)	(25.5%)
Free Cash Flow	\$ 152.2	\$ 139.1	9.4%

(1) See Reconciliation of non-GAAP Financial Measures (included herein)

Conclusion

Key Points

- Critical position in health care delivery system
- Attractive market
- Consistent strategy
 - Excellent cash flow deployed to enhance strong competitive position
 - IT innovation to improve physician and patient experience
 - Most efficient provider delivering greatest value
 - Scientific leadership
 - Alternative delivery models
- Track record of execution and success



Reconciliation of non-GAAP Financial Measures

Reconciliation of non-GAAP Financial Measures

(In millions, except per share data)

	Twelve Months Ended Dec 31,	
	<u>2011</u>	<u>2010</u>
<u>Adjusted Operating Income</u>		
Operating income	\$ 948.4	\$ 978.8
Restructuring and other special charges ^{(1) (3)}	116.5	37.7
Adjusted operating income	<u>\$ 1,064.9</u>	<u>\$ 1,016.5</u>
 <u>Adjusted EPS Excluding Amortization</u>		
Diluted earnings per common share	\$ 5.11	\$ 5.29
Impact of restructuring and other special charges ^{(1) (3)}	0.72	0.26
Loss on divestiture of assets ⁽²⁾	0.03	-
Amortization expense	0.51	0.43
Adjusted EPS Excluding Amortization ⁽⁴⁾	<u>\$ 6.37</u>	<u>\$ 5.98</u>

Note: Please see footnotes for this reconciliation on the following slide

Reconciliation of non-GAAP Financial Measures - Footnotes

- 1) During the fourth quarter of 2011, the Company recorded net restructuring and other special charges of \$10.6 million, consisting of \$6.3 million in severance related liabilities and \$1.7 million in net facility-related costs primarily associated with integration of the Orchid Cellmark and Genzyme Genetics acquisitions as well as internal cost reduction initiatives. The charges also included a \$2.6 million write-off of an uncollectible receivable from a past installment sale of one of the Company's lab operations. The after tax impact of these charges decreased net earnings for the three months ended December 31, 2011, by \$6.5 million and diluted earnings per share by \$0.06 (\$6.5 million divided by 101.0 million shares).

During the first nine months of 2011, the Company recorded restructuring and other special charges of \$105.9 million (\$66.3 million after tax). The restructuring charges included \$18.8 million in net severance and other personnel costs along with \$36.7 million in net facility-related costs primarily associated with the ongoing integration of the Clearstone, Genzyme Genetics and Westcliff acquisitions. The special charges also included \$34.5 million (\$49.5 million, net of previously recorded reserves of \$15.0 million) relating to the settlement of the Hunter Labs litigation in California, along with \$1.1 million for legal costs associated with the planned acquisition of Orchid Cellmark incurred during the second quarter of 2011, both of which were recorded in Selling, General and Administrative Expenses in the Company's Consolidated Statements of Operations. The charges also included a \$14.8 million write-off of an investment made in a prior year.

For the year ended December 31, 2011, the after tax impact of these combined charges of \$116.5 million decreased net earnings by \$73.3 million and diluted earnings per share by \$0.72 (\$73.3 million divided by 101.8 million shares).

- 2) Following the closing of its acquisition of Orchid Cellmark Inc. ("Orchid") in mid-December, the Company recorded a net \$2.8 million loss on its divestiture of certain assets of Orchid's U.S. government paternity business, under the terms of the agreement reached with the U.S. Federal Trade Commission. This non-deductible loss on disposal was recorded in Other Income and Expense in the Company's Consolidated Statements of Operations and decreased net earnings for the three and twelve months ended December 31, 2011, by \$2.8 million and diluted earnings per share by \$0.03 (\$2.8 million divided by 101.0 million shares and \$2.8 million divided by 101.8 million shares, respectively).
- 3) During the fourth quarter of 2010, the Company recorded restructuring and other special charges of \$13.6 million, consisting of \$14.8 million in professional fees and expenses associated with acquisitions, which are recorded in Selling, General and Administrative Expenses in the Company's Consolidated Statements of Operations; offset by a net restructuring credit of \$1.2 million, resulting from the reversal of unused severance and facility closure liabilities. The after tax impact of these charges decreased net earnings for the three months ended December 31, 2010, by \$8.3 million and diluted earnings per share by \$0.08 (\$8.3 million divided by 104.5 million shares).

During the first nine months of 2010, the Company recorded restructuring and other special charges of \$31.1 million (\$19.1 million after tax), consisting of \$10.9 million in professional fees and expenses associated with acquisitions; \$7.0 million bridge financing fees (recorded as interest expense) associated with the signing of an asset purchase agreement for Genzyme Genetics; and \$13.2 million severance related liabilities associated with workforce reduction initiatives

For the year ended December 31, 2010, the after tax impact of these combined charges of \$44.7 million decreased net earnings by \$27.4 million and diluted earnings per share by \$0.26 (\$27.4 million divided by 105.4 million shares).

- 4) The Company continues to grow its business through acquisitions and uses Adjusted EPS Excluding Amortization as a measure of operational performance, growth and shareholder returns. The Company believes adjusting EPS for amortization will provide investors with better insight into the operating performance of the business. For the quarters ended December 31, 2011 and 2010, intangible amortization was \$21.2 million and \$19.6 million, respectively (\$12.9 million and \$12.0 million net of tax, respectively) and decreased EPS by \$0.13 (\$12.9 million divided by 101.0 million shares) and \$0.12 (\$12.0 million divided by 104.5 million shares), respectively. For the years ended December 31, 2011 and 2010, intangible amortization was \$85.8 million and \$72.7 million respectively (\$52.4 million and \$44.5 million net of tax, respectively) and decreased EPS by \$0.51 (\$52.4 million divided by 101.8 million shares) and \$0.43 (\$44.5 million divided by 105.4 million shares), respectively.

Note: GENZYME GENETICS and its logo are trademarks of Genzyme Corporation and used by Esoterix Genetic Laboratories, LLC, a wholly-owned subsidiary of LabCorp, under license. Esoterix Genetic Laboratories and LabCorp are operated independently from Genzyme Corporation.

Reconciliation of non-GAAP Financial Measures

Reconciliation of non-GAAP Financial Measures

(In millions, except per share data)

	Three Months Ended Jun 30,	
	2012	2011
<u>Adjusted Operating Income</u>		
Operating income	\$ 276.0	\$ 225.7
Restructuring and other special charges ^{(1) (2)}	3.4	53.9
Acquisition fees and expenses ⁽¹⁾	0.9	-
Adjusted operating income	<u>\$ 280.3</u>	<u>\$ 279.6</u>
<u>Adjusted EPS Excluding Amortization</u>		
Diluted earnings per common share	\$ 1.56	\$ 1.20
Impact of restructuring and other special charges ^{(1) (2)}	0.08	0.32
Amortization expense	0.13	0.12
Adjusted EPS Excluding Amortization ⁽³⁾	<u>\$ 1.77</u>	<u>\$ 1.64</u>

Note: Please see footnotes for this reconciliation on following slide

Reconciliation of non-GAAP Financial Measures - Footnotes

- 1) During the second quarter of 2012, the Company recorded \$3.4 million in restructuring and other special charges. The restructuring charges include \$4.5 million in severance and other personnel costs along with \$0.4 million in facility-related costs primarily associated with the ongoing integration of the Clearstone Central Laboratories acquisition and costs associated with the previously announced termination of an executive vice president. These charges were partially offset by the reversal of previously established restructuring reserves of \$1.5 million. The Company recorded \$0.9 million in acquisition fees and expenses relating to its planned acquisition of MEDTOX Scientific, Inc, which was recorded in Selling, General and Administrative Expenses in the Company's Statement of Operations. As part of the Clearstone integration, the Company also recorded a \$6.9 million loss on the disposal of one of its European subsidiaries. In addition, in conjunction with the liquidation of one of its joint ventures, the Company recorded a one-time increase of \$2.9 million in equity method income. The after tax impact of these net charges decreased net earnings for the quarter ended June 30, 2012 by \$7.8 million and diluted earnings per share by \$0.08 (\$7.8 million divided by 98.0 million shares).

During the first quarter of 2012, the Company recorded a net credit of \$3.6 million in restructuring and other special charges. The Company reversed previously established reserves of \$3.8 million in unused severance and \$2.4 million in unused facility-related costs. This net credit also includes charges of \$1.7 million in severance and other personnel costs along with \$0.9 million in facility-related costs primarily related to ongoing integration activities for Orchid and Genzyme Genetics.

The after tax impact of the combined net charges decreased net earnings for the six months ended June 30, 2012, by \$5.6 million and diluted earnings per share by \$0.06 (\$5.6 million divided by 98.6 million shares).

- 2) During the second quarter of 2011, the Company recorded restructuring and other special charges of \$53.9 million. The restructuring charges include \$7.5 million in net severance and other personnel costs along with \$10.8 million in net facility-related costs primarily associated with the ongoing integration of the Genzyme Genetics and Westcliff acquisitions. The special charges also include \$34.5 million (\$49.5 million, net of previously recorded reserves of \$15.0 million) relating to the settlement of the Hunter Labs litigation in California, along with \$1.1 million for legal costs associated with the planned acquisition of Orchid Cellmark incurred during the quarter, both of which were recorded in Selling, General and Administrative Expenses in the Company's Statement of Operations. The after tax impact of these charges decreased net earnings for the quarter ended June 30, 2011, by \$32.6 million and diluted earnings per share by \$0.32 (\$32.6 million divided by 102.8 million shares).

During the first quarter of 2011, the Company recorded restructuring and other special charges of \$27.9 million. The charges included \$4.0 million in severance and other personnel costs along with \$9.8 million in facility-related costs associated with the integration of Genzyme Genetics. The charges also included a \$14.8 million write-off of an investment made in a prior year.

The after tax impact of these combined charges decreased net earnings for the six months ended June 30, 2011, by \$49.4 million and diluted earnings per share by \$0.48 (\$49.4 million divided by 102.6 million shares).

- 3) The Company continues to grow the business through acquisitions and uses Adjusted EPS Excluding Amortization as a measure of operational performance, growth and shareholder returns. The Company believes adjusting EPS for amortization provides investors with better insight into the operating performance of the business. For the quarters ended June 30, 2012 and 2011, intangible amortization was \$20.6 million and \$21.5 million, respectively (\$12.5 million and \$13.1 million net of tax, respectively) and decreased EPS by \$0.13 (\$12.5 million divided by 98.0 million shares) and \$0.12 (\$13.0 million divided by 102.8 million shares), respectively. For the six months ended June 30, 2012 and 2011, intangible amortization was \$42.0 million and \$43.4 million, respectively (\$25.7 million and \$26.5 million net of tax, respectively) and decreased EPS by \$0.26 (\$25.7 million divided by 98.6 million shares) and \$0.26 (\$26.5 million divided by 102.6 million shares), respectively.

Note: GENZYME GENETICS and its logo are trademarks of Genzyme Corporation and used by Esoterix Genetic Laboratories, LLC, a wholly-owned subsidiary of LabCorp, under license. Esoterix Genetic Laboratories and LabCorp are operated independently from Genzyme Corporation.

Reconciliation of Free Cash Flow

Reconciliation of non-GAAP Financial Measures

(In millions, except per share data)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash flows from operations ¹	\$905.1	\$883.6	\$862.4	\$780.9	\$709.7	\$632.3	\$574.2	\$538.1	\$564.3	\$444.9
Capital expenditures	(145.7)	(126.1)	(114.7)	(156.7)	(142.6)	(115.9)	(93.6)	(95.0)	(83.6)	(74.3)
Free cash flow ²	<u>759.4</u>	<u>757.5</u>	<u>747.7</u>	<u>624.2</u>	<u>567.1</u>	<u>516.4</u>	<u>480.6</u>	<u>443.1</u>	<u>480.7</u>	<u>370.6</u>
Weighted average diluted shares outstanding	101.8	105.4	109.1	111.8	121.3	134.7	144.9	150.7	154.7	154.2

(1) 2011 cash flows from operations excludes the \$49.5 million Hunter Labs settlement payment

(2) Free cash flow represents cash flows from operations less capital expenditures

Supplemental Financial Information

Laboratory Corporation of America Other Financial Information Q3 2009 - Q2 2012

	<u>Q3 09</u>	<u>Q4 09</u>	<u>Q1 10</u>	<u>Q2 10</u>	<u>Q3 10</u>	<u>Q4 10</u>	<u>Q1 11</u>	<u>Q2 11</u>	<u>Q3 11</u>	<u>Q4 11</u>	<u>Q1 12</u>	<u>Q2 12</u>
Bad debt as a percentage of sales	5.3%	5.3%	5.0%	4.8%	4.8%	4.7%	4.7%	4.7%	4.5%	4.5%	4.4%	4.4%
Days sales outstanding¹	48	44	46	45	44	46	47	46	46	46	48	47
A/R coverage (Allow. for Doubtful Accts. / A/R)²	21.9%	23.2%	21.7%	20.7%	20.4%	18.5%	19.4%	20.6%	21.1%	22.0%	21.5%	21.6%

(1) Excluding the impact from Genzyme Genetics, DSO was 43 days in Q4 of 2010, 45 days in Q1 of 2011, 43 days in Q2 of 2011. We did not track Genzyme Genetics' impact on DSO after Q2 of 2011

(2) Excluding the impact from Genzyme Genetics, A/R Coverage was 19.9% in Q4 of 2010, 20.4% in Q1 of 2011, 21.1% in Q2 of 2011, 20% in Q3 of 2011, 20.8% in Q4 of 2011, 20.4% in Q1 of 2012 and 21.5% in Q2 of 2012

