

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

FORM 8-K

CURRENT REPORT

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

July 25, 2018
(Date of earliest event reported)

**LABORATORY CORPORATION OF
AMERICA HOLDINGS**

(Exact Name of Registrant as Specified in its Charter)

Delaware

1-11353

13-3757370

(State or other jurisdiction of Incorporation)

(Commission File Number)

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

**358 South Main Street,
Burlington, North Carolina**

27215

336-229-1127

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 9.01 Financial Statements and Exhibits

Exhibits

99.1 [Summary information of the Company dated July 25, 2018.](#)

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.

LABORATORY CORPORATION OF AMERICA HOLDINGS

Registrant

By: /s/ F. SAMUEL EBERTS III
F. Samuel Eberts III
Chief Legal Officer and Secretary

July 25, 2018



**SECOND QUARTER 2018
SUPPLEMENTAL FINANCIAL INFORMATION**

8-K FURNISHED JULY 25, 2018

FORWARD LOOKING STATEMENT

This presentation contains forward-looking statements including but not limited to statements with respect to estimated 2018 guidance and the related assumptions, the impact of various factors on operating and financial results, expected savings and synergies (including from the LaunchPad initiative and as a result of acquisitions), and the opportunities for future growth.

This presentation contains forward-looking statements which are subject to change based on various important factors, including without limitation, competitive actions and other unforeseen changes and general uncertainties in the marketplace, changes in government regulations, including health care reform, customer purchasing decisions, including changes in payer regulations or policies, other adverse actions of governmental and third-party payers, changes in testing guidelines or recommendations, adverse results in material litigation matters, the impact of changes in tax laws and regulations, failure to maintain or develop customer relationships, our ability to develop or acquire new products and adapt to technological changes, failures in information technology systems or data security, challenges in implementing business process changes, employee relations, and the effect of exchange rate fluctuations on international operations.

Actual results could differ materially from those suggested by these forward-looking statements. **Laboratory Corporation of America Holdings (the "Company")** has no obligation to provide any updates to these forward-looking statements even if its expectations change. Further information on potential factors, risks and uncertainties that could affect the operating and financial results of the **Company is included in the Company's Form 10-K** for the year ended December 31, 2017, and subsequent Forms 10-Q, **including in each case under the heading risk factors, and in the Company's other filings with the SEC.** The information in this presentation should be read in conjunction with a **review of the Company's filings with the SEC including information in the Company's Form 10-K** for the year ended December 31, 2017, and subsequent Forms 10-Q, **under the heading MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS.**

USE OF ADJUSTED MEASURES AND ADOPTION OF ASC 606

The Company has provided in this presentation “adjusted” financial information that has not been prepared in accordance with GAAP, including Adjusted EPS, Adjusted Operating Income, Adjusted EBITDA, Free Cash Flow, and certain segment information. The Company believes these adjusted measures are useful to investors as a supplement to, **but not as a substitute for, GAAP measures, in evaluating the Company’s operational performance.** The Company further believes that the use of these non-GAAP financial measures provides an additional tool for investors in evaluating operating results and **trends, and growth and shareholder returns, as well as in comparing the Company’s** financial results with the financial results of other companies. However, the Company notes that these adjusted measures may be different from and not directly comparable to the measures presented by other companies. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are included in the tables accompanying this presentation.

Effective January 1, 2018, the Company adopted the FASB-issued converged standard on revenue recognition (ASC 606), using the full retrospective method. Unless otherwise indicated, all financial results in 2017 and comparisons to financial results in 2017 have been restated in this presentation as if the Company had adopted ASC 606 on January 1, 2017. **This accounting change affects the Company’s Diagnostics and Drug Development** businesses differently; for the enterprise, the accounting change increases revenue, lowers earnings, and has no impact on cash flow.

SECOND QUARTER CONSOLIDATED RESULTS⁽¹⁾

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	<u>2Q18</u>	Restated for ASC 606 and ASU 2017-17 <u>2Q17</u>	<u>% Change</u>
Revenue	\$2,866.3	\$2,528.2	13.4% ⁽⁵⁾
Adjusted Operating Income ^{(2) (3)}	\$463.5	\$431.1	7.5%
Adjusted Operating Margin	16.2%	17.1%	(90 bps)
Adjusted EPS ^{(2) (3)}	\$2.98	\$2.43	22.6%
Operating Cash Flow ⁽⁴⁾	\$367.2	\$310.5	18.3%
Less: Capital Expenditures	(\$87.2)	(\$69.3)	(25.8%)
Free Cash Flow	\$280.0	\$241.2	16.1%

(1) The table presented above reflects the application of ASU 2017-17 for all periods presented. This application increased LabCorp Diagnostics adjusted operating income in the second quarter of 2017 by \$0.5 million and reduced Covance Drug Development adjusted operating income by \$1.2 million. These reclassifications have no impact on the Company's net earnings or its EPS.

(2) Adjusted operating income and adjusted EPS exclude amortization, restructuring charges and special items.

(3) See Reconciliation of non-GAAP Financial Measures on slides 17 – 20.

(4) Operating cash flow in 2017 has been reduced by \$0.1 million as the result of implementation of ASU 2016-18. This amount represents the amount of historical payments made on the Company's zero-coupon subordinated notes deemed to be accreted interest.

(5) The increase in revenue was due to growth from acquisitions of 10.5%, organic growth (total revenue less revenue from acquisitions for the first twelve months after the close of each acquisition) of 2.1%, and the benefit from foreign currency translation of approximately 80 basis points.

YEAR-TO-DATE CONSOLIDATED RESULTS⁽¹⁾

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	Six Months Ended 6/30/18	Restated for ASC 606 and ASU 2017-17 Six Months Ended 6/30/17	% Change ⁽⁵⁾
Revenue	\$5,714.6	\$4,941.9	15.6%
Adjusted Operating Income ^{(2) (3)}	\$899.3	\$807.8	11.3%
Adjusted Operating Margin	15.7%	16.3%	(60 bps)
Adjusted EPS ^{(2) (3)}	\$5.75	\$4.57	25.8%
Operating Cash Flow ⁽⁴⁾	\$522.0	\$536.4	(2.7%)
Less: Capital Expenditures	(\$159.7)	(\$141.5)	(12.9%)
Free Cash Flow	\$362.3	\$394.9	(8.3%)

(1) The table presented above reflects the application of ASU 2017-17 for all periods presented. This application increased LabCorp Diagnostics adjusted operating income in the first half of 2017 by \$1.3 million and reduced Covance Drug Development adjusted operating income by \$2.3 million. These reclassifications have no impact on the Company's net earnings or its EPS.

(2) Adjusted operating income and adjusted EPS exclude amortization, restructuring charges and special items.

(3) See Reconciliation of non-GAAP Financial Measures on slides 17 – 20.

(4) Operating cash flow in 2017 has been reduced by \$8.0 million as the result of implementation of ASU 2016-18. This amount represents the amount of historical payments made on the Company's zero-coupon subordinated notes deemed to be accreted interest.

(5) The increase in revenue was due to growth from acquisitions of 11.9%, organic growth (total revenue less revenue from acquisitions for the first twelve months after the close of each acquisition) of 2.6%, and the benefit from foreign currency translation of approximately 110 basis points.

SECOND QUARTER PRO FORMA SEGMENT RESULTS⁽¹⁾

(DOLLARS IN MILLIONS)

	2Q18	Restated for ASC 606 and ASU 2017-17 2Q17	% Change
Revenue			
LabCorp Diagnostics	\$1,814.0	\$1,721.1	5.4%
Covance Drug Development ⁽²⁾	\$1,054.2	\$807.5	30.5%
Total Revenue	\$2,866.3	\$2,528.2	13.4%
Adjusted Operating Income^{(3) (4)}			
LabCorp Diagnostics	\$376.0	\$375.5	0.1%
Adjusted Operating Margin	20.7%	21.8%	(110 bps)
Covance Drug Development ⁽²⁾	\$123.4	\$88.5	39.4%
Adjusted Operating Margin	11.7%	11.0%	80 bps
Unallocated Corporate Expense	(\$35.9)	(\$32.9)	(9.1%)
Total Adjusted Operating Income	\$463.5	\$431.1	7.5%
Total Adjusted Operating Margin	16.2%	17.1%	(90 bps)

(1) The consolidated revenue and adjusted operating income are presented net of inter-segment transaction eliminations. In addition, the table presented above reflects the application of ASU 2017-17 (presentation of net periodic pension cost) for all periods presented. This application increased LabCorp Diagnostics adjusted operating income in the three-month period ended June 30, 2017 by \$0.5 million and reduced Covance Drug Development adjusted operating income during the same periods by \$1.2 million. These reclassifications have no impact on the Company's net earnings or earnings per share.

(2) Covance Drug Development's results exclude the impact from the wind-down of operations relating to a committed minimum volume contract that expired on October 31, 2015.

(3) Adjusted operating income excludes amortization, restructuring charges and special items.

(4) See Notes to Reconciliation of Non-GAAP Financial Measures on slides 17 - 20.

YEAR-TO-DATE PRO FORMA SEGMENT RESULTS⁽¹⁾

(DOLLARS IN MILLIONS)

		Restated for ASC 606 and ASU 2017-17	
	Six Months Ended 6/30/18	Six Months Ended 6/30/17	% Change
Revenue			
LabCorp Diagnostics	\$3,584.2	\$3,360.8	6.6%
Covance Drug Development ⁽²⁾	\$2,132.6	\$1,581.7	34.8%
Total Revenue	\$5,714.6	\$4,941.9	15.6%
Adjusted Operating Income ^{(3) (4)}			
LabCorp Diagnostics	\$740.0	\$717.3	3.2%
Adjusted Operating Margin	20.6%	21.3%	(70 bps)
Covance Drug Development ⁽²⁾	\$231.4	\$156.6	47.8%
Adjusted Operating Margin	10.9%	9.9%	100 bps
Unallocated Corporate Expense	(\$72.1)	(\$66.1)	(9.1%)
Total Adjusted Operating Income	\$899.3	\$807.8	11.3%
Total Adjusted Operating Margin	15.7%	16.3%	(60 bps)

(1) The consolidated revenue and adjusted operating income are presented net of inter-segment transaction eliminations. In addition, the table presented above reflects the application of ASU 2017-17 (presentation of net periodic pension cost) for all periods presented. This application increased LabCorp Diagnostics adjusted operating income in the six-month period ended June 30, 2017 by \$1.3 million and reduced Covance Drug Development adjusted operating income during the same periods by \$2.3 million. These reclassifications have no impact on the Company's net earnings or earnings per share.

(2) Covance Drug Development's results exclude the impact from the wind-down of operations relating to a committed minimum volume contract that expired on October 31, 2015.

(3) Adjusted operating income exclude amortization, restructuring charges and special items.

(4) See Notes to Reconciliation of Non-GAAP Financial Measures on slides 17 - 20.

SELECT FINANCIAL METRICS

(DOLLARS IN MILLIONS)

	Restated for ASC 606 and ASU 2017-17			1Q18	2Q18
	2Q17	3Q17	4Q17		
Total Depreciation	\$73.5	\$76.4	\$78.5	\$78.3	\$77.3
Total Amortization ⁽¹⁾	\$51.4	\$54.6	\$62.9	\$62.3	\$58.5
Total Adjusted EBITDA ⁽²⁾	\$509.6	\$511.8	\$512.7	\$517.2	\$543.9
Total Debt to Last Twelve Months Adjusted EBITDA ⁽²⁾⁽³⁾	3.2x	3.6x	3.3x	3.3x	3.1x
Total Net Debt to Last Twelve Months Adjusted EBITDA ⁽²⁾⁽³⁾⁽⁴⁾	3.1x	3.4x	3.2x	3.1x	3.0x

(1) Excludes amortization of deferred financing fees.

(2) Adjusted EBITDA excludes restructuring charges and special items. See reconciliation on slide 16.

(3) Leverage ratios beginning with the third quarter of 2017 include Chiltern Adjusted EBITDA from the twelve months prior to the relevant period on a pro forma basis.

(4) Net debt equals total debt less cash and cash equivalents.

COVANCE DRUG DEVELOPMENT: SELECT FINANCIAL METRICS UNDER ASC 606⁽¹⁾

Trailing Twelve Month (TTM) Results

	Net Orders	Net Book-to-Bill
TTM Ending June 30, 2018 ⁽²⁾	\$4.9 billion	1.22x
TTM Ending March 31, 2018 ⁽²⁾	\$4.8 billion	1.29x
TTM Ending December 31, 2017 ⁽²⁾	\$4.6 billion	1.34x

	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of June 30, 2018	\$9.0 billion	\$3.7 billion
As of March 31, 2018 ⁽³⁾	\$9.2 billion	\$3.7 billion
As of December 31, 2017	\$8.7 billion	

(1) Results shown include the impact from cancellations and foreign currency translation.

(2) Includes results from Chiltern following the closing of the acquisition on September 1, 2017.

(3) Included backlog from the acquisition of Global Specimen Solutions of approximately \$65 million.

COVANCE DRUG DEVELOPMENT: SELECT FINANCIAL METRICS UNDER ASC 605⁽¹⁾

Trailing Twelve Month (TTM) Results		
	Net Orders	Net Book-to-Bill
TTM Ending June 30, 2018 ⁽²⁾	\$4.2 billion	1.24x
TTM Ending March 31, 2018 ⁽²⁾	\$4.3 billion	1.34x
TTM Ending December 31, 2017 ⁽²⁾	\$4.1 billion	1.36x
TTM Ending September 30, 2017 ⁽²⁾	\$3.8 billion	1.33x
TTM Ending June 30, 2017	\$3.4 billion	1.23x

	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of June 30, 2018	\$7.3 billion	\$3.0 billion
As of March 31, 2018 ⁽³⁾	\$7.6 billion	\$3.1 billion
As of December 31, 2017	\$7.1 billion	\$2.8 billion
As of September 30, 2017 ⁽⁴⁾	\$6.8 billion	\$2.7 billion
As of June 30, 2017	\$5.5 billion	\$2.1 billion

(1) Results shown include the impact from cancellations and foreign currency translation.

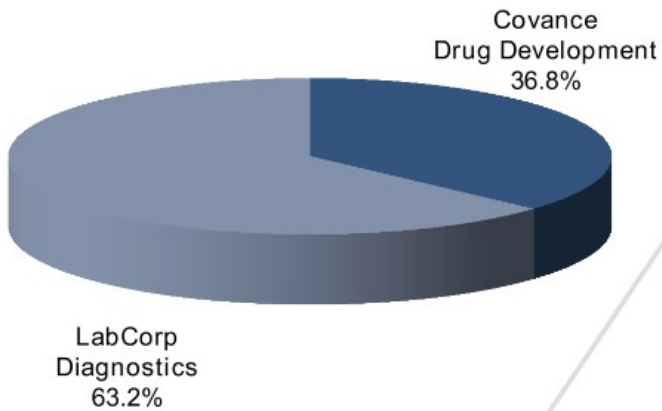
(2) Includes results from Chiltern following the closing of the acquisition on September 1, 2017.

(3) Included backlog from the acquisition of Global Specimen Solutions of approximately \$65 million.

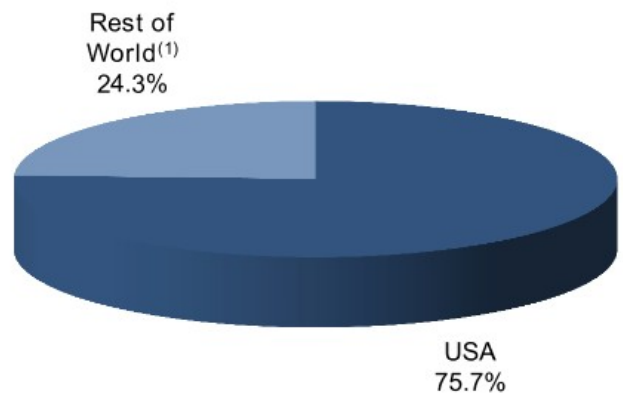
(4) Included backlog from the acquisition of Chiltern of approximately \$1.0 billion.

SECOND QUARTER 2018 REVENUE DISTRIBUTION

Segment Distribution



Geographic Distribution



(1) Revenues recognized in over 30 currencies; the largest foreign currency accounts for less than 10% of total revenue.

SECOND QUARTER 2018 FOREIGN EXCHANGE IMPACT TO REVENUE⁽¹⁾

(DOLLARS IN MILLIONS)

	<u>Dollars</u>	Year over Year <u>% Growth</u>
<u>Consolidated</u>		
Revenue, as Reported	\$2,866	13.4%
Foreign Exchange Impact	(\$19)	(0.8%)
Revenue, Constant Currency	\$2,847	12.6%
<u>LabCorp Diagnostics</u>		
Revenue, as Reported	\$1,814	5.4%
Foreign Exchange Impact	(\$5)	(0.3%)
Revenue, Constant Currency	\$1,810	5.1%
<u>Covance Drug Development</u>		
Revenue, as Reported	\$1,054	30.5%
Foreign Exchange Impact	(\$15)	(1.8%)
Revenue, Constant Currency	\$1,039	28.7%

(1) Does not tie due to rounding.

YEAR-TO-DATE 2018 FOREIGN EXCHANGE IMPACT TO REVENUE⁽¹⁾

(DOLLARS IN MILLIONS)

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<u>Consolidated</u>		
Revenue, as Reported	\$5,715	15.6%
Foreign Exchange Impact	(\$55)	(1.1%)
Revenue, Constant Currency	\$5,660	14.5%
<u>LabCorp Diagnostics</u>		
Revenue, as Reported	\$3,584	6.6%
Foreign Exchange Impact	(\$10)	(0.3%)
Revenue, Constant Currency	\$3,575	6.4%
<u>Covance Drug Development</u>		
Revenue, as Reported	\$2,133	34.8%
Foreign Exchange Impact	(\$45)	(2.9%)
Revenue, Constant Currency	\$2,088	32.0%

(1) Does not tie due to rounding

2017 QUARTERLY SEGMENT FINANCIAL RESULTS RESTATED FOR ASC 606 AND ASU 2017-17⁽¹⁾

(Dollars in millions, except per share data)	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017	Three Months Ended September 30, 2017	Three Months Ended December 31, 2017	Twelve Months Ended December 31, 2017
LabCorp Diagnostics (2)					
Revenues	\$ 1,639.7	\$ 1,721.1	\$ 1,754.7	\$ 1,742.7	\$ 6,858.2
Adjusted Operating Income	\$ 341.8	\$ 375.5	\$ 374.3	\$ 357.0	\$ 1,448.6
Adjusted Operating Margin	20.8%	21.8%	21.3%	20.5%	21.1%
Covance Drug Development (3)					
Revenues	\$ 774.2	\$ 807.5	\$ 867.1	\$ 1,002.8	\$ 3,451.6
Adjusted Operating Income	\$ 68.1	\$ 88.5	\$ 93.8	\$ 110.9	\$ 361.3
Adjusted Operating Margin	8.8%	11.0%	10.8%	11.1%	10.5%
Consolidated (2) (3)					
Revenues	\$ 2,413.7	\$ 2,528.2	\$ 2,621.4	\$ 2,744.7	\$ 10,308.0
Adjusted Segment Operating Income	\$ 409.9	\$ 464.0	\$ 468.1	\$ 467.9	\$ 1,809.9
Unallocated corporate expense	\$ (33.2)	\$ (32.9)	\$ (36.2)	\$ (35.2)	\$ (137.5)
Consolidated Adjusted Operating Income	\$ 376.7	\$ 431.1	\$ 431.9	\$ 432.7	\$ 1,672.4
Adjusted Operating Margin	15.6%	17.1%	16.5%	15.8%	16.2%
Adjusted EPS	\$ 2.13	\$ 2.43	\$ 2.37	\$ 2.31	\$ 9.25

(1) The table presented above reflects the application of ASU 2017-17 for all periods presented.

(2) In LabCorp Diagnostics, the impact of ASC 606 reduced revenue and increased margins, as bad debt is treated as a reduction in revenue rather than selling, general and administrative expense. This accounting change had no impact on adjusted operating income or cash flow.

(3) In Covance Drug Development, the impact of ASC 606 increased backlog, revenue and cost of revenue due to the inclusion of investigator fees and other pass-through expenses in all categories. In addition, the inclusion of investigator fees and other pass-through expenses changes the underlying percentage of completion calculation used to recognize revenue. As a result, the restated financials for 2017 reflect lower operating margins and a deferral of previously recognized earnings. This accounting change had no impact on cash flow.

2017 QUARTERLY FINANCIAL RESULTS – GAAP BASIS RESTATED FOR ASC 606 AND ASU 2017-17

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS - RESTATED FOR ASC 606 AND ASU 2017-17
(Dollars in Millions, except per share data)

	Quarter Ended March 31, 2017	Quarter Ended June 30, 2017	Quarter Ended September 30, 2017	Quarter Ended December 31, 2017	Year Ended December 31, 2017
Total revenues	\$ 2,413.7	\$ 2,528.2	\$ 2,621.4	\$ 2,744.7	\$ 10,308.0
Total cost of revenues	1,701.2	1,750.2	1,837.2	1,927.6	7,216.2
Gross profit	712.5	778.0	784.2	817.1	3,091.8
Selling, general and administrative expenses	342.9	357.7	381.3	417.3	1,499.2
Amortization of intangibles and other assets	47.6	51.4	54.6	62.9	216.5
Restructuring and other special charges	3.9	39.1	21.6	6.3	70.9
Operating income	318.1	329.8	326.7	330.6	1,305.2
Other income (expense):					
Interest expense	(52.4)	(55.0)	(59.9)	(67.8)	(235.1)
Equity method income, net	2.3	4.5	3.2	1.3	11.3
Investment income	0.3	0.4	0.7	0.7	2.1
Other, net	(3.0)	(0.5)	(3.9)	1.4	(6.0)
Earnings before income taxes	265.3	279.2	266.8	266.2	1,077.5
Provision (benefit) for income taxes	82.0	94.1	92.5	(424.0)	(155.4)
Net earnings	183.3	185.1	174.3	690.2	1,232.9
Less: Net earnings attributable to the noncontrolling interest	(0.3)	(0.3)	(2.8)	(2.4)	(5.8)
Net earnings attributable to Laboratory Corporation of America Holdings	\$ 183.0	\$ 184.8	\$ 171.5	\$ 687.8	\$ 1,227.1
Basic earnings per common share	\$ 1.79	\$ 1.80	\$ 1.68	\$ 6.73	\$ 11.99
Diluted earnings per common share	\$ 1.75	\$ 1.78	\$ 1.65	\$ 6.63	\$ 11.81
Weighted average basic shares outstanding	102.5	102.4	102.3	102.2	102.4
Weighted average diluted shares outstanding	104.3	103.7	103.7	103.7	103.9

The table presented includes approximately \$79.7 million of special items in selling, general and administrative expenses in full-year 2017.

2018 FINANCIAL GUIDANCE

	Prior Guidance (assumes foreign exchange rates effective as of March 31, 2018)	Current Guidance (assumes foreign exchange rates effective as of June 30, 2018)
Total revenue growth ⁽¹⁾ :	10.0% – 12.0% ⁽³⁾	10.5% – 11.5% ⁽⁴⁾
LabCorp Diagnostics revenue growth ⁽¹⁾ :	3.5% – 5.5% ⁽⁵⁾	3.0% – 4.5% ⁽⁶⁾
Covance Drug Development revenue growth ⁽¹⁾ :	21.0% – 25.0% ⁽⁷⁾	23.0% – 26.0% ⁽⁸⁾
Adjusted EPS ⁽²⁾ :	\$11.30 – \$11.70	\$11.35 – \$11.65
Free cash flow:	\$1.1 billion – \$1.2 billion	\$1.1 billion – \$1.2 billion

(1) Calculated based on the restatement of revenue in 2017 related to the Company's adoption of ASC 606 effective January 1, 2018.

(2) Excludes the impact from amortization, restructuring charges and special items.

(3) Included the benefit of approximately 90 basis points of foreign currency translation.

(4) Includes the benefit of approximately 50 basis points of foreign currency translation.

(5) Included the benefit of approximately 20 basis points of foreign currency translation.

(6) Includes the benefit of approximately 20 basis points of foreign currency translation.

(7) Included the benefit of approximately 230 basis points of foreign currency translation.

(8) Includes the benefit of approximately 110 basis points of foreign currency translation.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – ADJUSTED EBITDA

(DOLLARS IN MILLIONS)

	Restated for ASC 606 and ASU 2017-17				
	<u>2Q17</u>	<u>3Q17</u>	<u>4Q17</u>	<u>1Q18</u>	<u>2Q18</u>
LabCorp Operating Income	\$329.8	\$326.7	\$330.6	\$305.4	\$369.2
Add:					
Restructuring and other special charges	\$39.1	\$21.6	\$6.3	\$14.3	\$12.2
Other special charges ⁽¹⁾	\$10.8	\$29.0	\$32.8	\$53.7	\$23.7
Depreciation	\$73.5	\$76.4	\$78.5	\$78.3	\$77.3
Amortization	\$51.4	\$54.6	\$62.9	\$62.3	\$58.5
Equity method income, net	\$4.5	\$3.2	\$1.3	\$2.5	\$3.0
Depreciation and amortization of equity method investments	\$0.5	\$0.3	\$0.3	\$0.7	\$0.0
Adjusted EBITDA	\$509.6	\$511.8	\$512.7	\$517.2	\$543.9

(1) Other special charges as disclosed by the Company in its quarterly earnings releases.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

LABORATORY CORPORATION OF AMERICA HOLDINGS
 Reconciliation of Non-GAAP Financial Measures
 (Dollars in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<u>Adjusted Operating Income</u>				
Operating income	\$ 369.2	\$ 329.8	\$ 674.6	\$ 647.9
Acquisition-related costs	19.7	8.0	37.6	12.4
Restructuring and other special charges	12.2	39.1	26.5	43.0
Consulting fees and executive transition expenses	1.4	-	4.5	-
Special tax reform bonus for employees	-	-	31.1	-
LaunchPad system implementation costs	2.5	2.8	4.2	5.5
Amortization of intangibles and other assets	58.5	51.4	120.8	99.0
Adjusted operating income	<u>\$ 463.5</u>	<u>\$ 431.1</u>	<u>\$ 899.3</u>	<u>\$ 807.8</u>
 <u>Adjusted EPS</u>				
Diluted earnings per common share	\$ 2.27	\$ 1.78	\$ 3.94	\$ 3.54
Restructuring and special items	0.26	0.32	0.76	0.38
Tax reform act adjustments	0.01	-	0.15	-
Amortization expense	0.44	0.33	0.90	0.65
Adjusted EPS	<u>\$ 2.98</u>	<u>\$ 2.43</u>	<u>\$ 5.75</u>	<u>\$ 4.57</u>

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

LABORATORY CORPORATION OF AMERICA HOLDINGS
 Reconciliation of Non-GAAP Financial Measures
 (Dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<u>Free Cash Flow:</u>				
Net cash provided by operating activities (1)	\$ 367.2	\$ 310.5	\$ 522.0	\$ 536.4
Less: Capital expenditures	(87.2)	(69.3)	(159.7)	(141.5)
Free cash flow	\$ 280.0	\$ 241.2	\$ 362.3	\$ 394.9

(1) Operating cash flow in 2017 has been reduced by \$0.1 million and \$8.0 million for the three and six months ended June 30, 2017 as the result of implementation of ASU 2016-18. These amounts represent the historical payments made upon conversion of the Company's zero-coupon subordinated notes deemed to be accreted interest.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES - FOOTNOTES

1) During the second quarter of 2018, the Company recorded net restructuring and other special charges of \$12.2 million. The charges included \$11.8 million in severance and other personnel costs along with \$1.3 million in costs associated with facility closures and general integration initiatives. The Company reversed previously established reserves of \$0.7 million in unused severance reserves and \$0.2 million in unused facility reserves.

The Company incurred integration and other related costs of \$19.7 million primarily relating to the Chiltern acquisition as well as the planned sale of the Company's Food Solutions business. The Company also incurred \$1.4 million in consulting expenses relating to fees incurred as part of its integration and management transition costs. In addition, the Company recorded \$2.5 million of non-capitalized costs associated with the implementation of a major system as part of its LaunchPad business process improvement initiative. These items increased selling, general and administrative expenses by \$23.7 million.

The after tax impact of these charges decreased net earnings for the quarter ended June 30, 2018, by \$27.2 million and diluted earnings per share by \$0.26 (\$27.2 million divided by 103.0 million shares).

During the first quarter of 2018, the Company recorded net restructuring and other special charges of \$14.3 million. The charges included \$11.3 million in severance and other personnel costs along with \$1.2 million in costs associated with facility closures and general integration initiatives and \$2.3 million in impairment to land held for sale. The Company reversed previously established reserves of \$0.5 million in unused facility reserves.

The Company incurred integration and other related costs of \$17.9 million primarily relating to the Chiltern acquisition. The Company also incurred \$3.1 million in consulting expenses relating to fees incurred as part of its integration and management transition costs. During the quarter, the Company paid a special one-time bonus of \$31.0 million to its non-bonus eligible employees in recognition of the benefits the Company is receiving from the passage of the Tax Cuts and Jobs Act of 2017 (TCJA). In addition, the Company incurred \$1.7 million of non-capitalized costs associated with the implementation of a major system as part of its LaunchPad business process improvement initiative. These items increased cost of sales by \$24.8 million and selling, general and administrative expenses by \$28.9 million.

The after tax impact of these combined charges decreased net earnings for the six months ended June 30, 2018, by \$78.6 million and diluted earnings per share by \$0.76 (\$78.6 million divided by 103.3 million shares).

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES - FOOTNOTES

2) During the second quarter of 2017, the Company recorded net restructuring and other special charges of \$39.1 million. The charges included \$19.9 million in severance and other personnel costs along with \$4.2 million in costs associated with facility closures and general integration initiatives. The Company reversed previously established reserves of \$0.1 million in unused facility reserves. The Company also recognized an asset impairment loss of \$15.1 million related to the termination of a software development project.

The Company incurred legal and other costs of \$5.7 million relating to recent acquisition activity. The Company also recorded \$2.3 million in consulting expenses relating to fees incurred as part of its Covance integration and compensation analysis. In addition, the Company incurred \$2.8 million of non-capitalized costs associated with the implementation of a major system as part of its LaunchPad business process improvement initiative (all recorded in selling, general and administrative expenses).

The after tax impact of these charges decreased net earnings for the quarter ended June 30, 2017, by \$32.9 million and diluted earnings per share by \$0.32 (\$32.9 million divided by 103.7 million shares).

During the first quarter of 2017, the Company recorded net restructuring and other special charges of \$3.9 million. The charges included \$2.7 million in severance and other personnel costs along with \$1.6 million in costs associated with facility closures and general integration initiatives. The Company reversed previously established reserves of \$0.4 million in unused severance reserves.

The Company incurred legal and other costs of \$0.9 million relating to recently completed acquisitions. The Company also recorded \$2.6 million in consulting expenses relating to fees incurred as part of its Covance integration and compensation analysis, along with \$0.9 million in short-term equity retention arrangements relating to the acquisition of Covance. In addition, the Company incurred \$2.7 million of non-capitalized costs associated with the implementation of a major system as part of LaunchPad (all recorded in selling, general and administrative expenses).

The after tax impact of these combined charges decreased net earnings for the six months ended June 30, 2017, by \$39.8 million and diluted earnings per share by \$0.38 (\$39.8 million divided by 104.0 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, 2018 and 2017, intangible amortization was \$58.5 million and \$51.4 million, respectively (\$44.9 million and \$34.8 million net of tax, respectively) and decreased EPS by \$0.44 (\$44.9 million divided by 103.0 million shares) and \$0.33 (\$34.8 million divided by 103.7 million shares), respectively. For the six months ended June 30, 2018 and 2017, intangible amortization was \$120.8 million and \$99.0 million, respectively (\$92.5 million and \$67.2 million net of tax, respectively) and decreased EPS by \$0.90 (\$92.5 million divided by 103.3 million shares) and \$0.65 (\$67.2 million divided by 104.0 million shares), respectively.

