

**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 28, 2015
(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 2.02 Results of Operations and Financial Condition

On July 28, 2015, Laboratory Corporation of America® Holdings (LabCorp®) (NYSE: LH) issued a press release announcing its results for the quarter ended June 30, 2015. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

Exhibits

99.1 Press Release dated July 28, 2015

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 28, 2015

Exhibit 99.1

FOR IMMEDIATE RELEASE

Investor/Media Contact:

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**LABORATORY CORPORATION OF AMERICA® HOLDINGS
ANNOUNCES RECORD 2015 SECOND QUARTER RESULTS
AND RAISES 2015 ADJUSTED EPS GUIDANCE**

- Q2 Net revenue of \$2.2 billion, up 46% over last year
- Q2 Diluted EPS of \$1.64; Q2 Adjusted EPS of \$2.09, up 14% over last year
- Q2 Free Cash Flow of \$328 million, up 106% over last year
- 2015 Adjusted EPS guidance raised to \$7.75 - \$8.00 from \$7.55 - \$7.90

Burlington, NC, July 28, 2015 - Laboratory Corporation of America® Holdings (LabCorp® or the “Company”) (NYSE: LH) today announced results for the quarter ended June 30, 2015.

Consolidated Results

Second Quarter Results

Net revenue for the quarter was \$2.22 billion, an increase of 46.3% over last year’s \$1.52 billion. The acquisition of Covance contributed \$620.8 million in net revenue during the quarter, driving 40.9% year over year net revenue growth. The remainder of the increase of \$81.5 million, or 5.4%, was primarily due to strong organic volume growth and tuck-in acquisitions, partially offset by currency. Organic revenue growth in the quarter, excluding currency, was 5.4%, of which Beacon LBS, the Company’s technology-enabled solution providing point-of-care decision support, contributed 1.1%.

Operating income for the quarter was \$321.3 million, compared to \$246.7 million in the second quarter of 2014. The Company recorded restructuring charges and special items of \$23.1 million during the second quarter of 2015, compared to \$6.7 million during the same period in 2014. Adjusted operating income (excluding amortization of \$46.6 million, restructuring and special items) for the quarter was \$391.0 million, or 17.6% of net revenue, compared to \$275.4 million, or 18.2%, in the second quarter of 2014. The increase in adjusted operating income was due to the Covance acquisition, organic volume growth and productivity, partially offset by currency.

The Company recorded net earnings in the quarter of \$168.4 million, or \$1.64 per diluted share, compared to \$141.3 million, or \$1.64 per diluted share, last year. Adjusted EPS (excluding amortization, restructuring and special items) were \$2.09 in the quarter, compared to \$1.84 in the second quarter of 2014.

“We are extremely pleased with our results this quarter, in which we began to see the power of our combined businesses,” said David P. King, Chairman and Chief Executive Officer. “We delivered impressive growth, as well as record revenue, earnings and free cash flow to our shareholders. We remain focused on executing our long-term growth strategy, and delivering on our mission of improving health and improving lives.”

Operating cash flow for the second quarter was \$396.7 million, compared to \$207.4 million in the second quarter of 2014. The increase in operating cash flow was due to the acquisition of Covance as well as improved earnings and working capital. Capital expenditures totaled \$69.1 million, compared to \$48.1 million in the second quarter of 2014. As a result, free cash flow (operating cash flow less capital expenditures) was \$327.6 million, compared to \$159.3 million in the second quarter of 2014.

At the end of the quarter, the Company’s cash balance and total debt were \$619.0 million and \$6.8 billion, respectively. During the quarter, the Company invested \$62.2 million in tuck-in acquisitions and paid down \$145.0 million of debt. The Company’s liquidity at the end of the quarter was approximately \$1.6 billion, consisting of cash and available credit.

Year-To-Date Results

The following year-to-date consolidated results of the Company include Covance as of February 19, 2015; prior to February 19, 2015, these consolidated results exclude Covance.

Net revenue was \$3.99 billion, an increase of 35.4% over last year’s \$2.95 billion. The acquisition of Covance contributed \$888.0 million from the date of closing on February 19, 2015, driving 30.1% year over year net revenue growth. The remainder of the increase of \$155.9 million, or 5.3%, was due to strong organic volume growth and tuck-in acquisitions, partially offset by price, mix and currency. Organic revenue growth in the first half of the year, excluding currency, was 5.2%, of which Beacon LBS contributed 0.5%.

Operating income was \$452.4 million, compared to \$450.0 million in the first half of 2014. The Company recorded \$161.8 million in restructuring charges and special items (costs associated with the acquisition of Covance and Project LaunchPad) during the first half of 2015, compared to \$14.3 million during the same period in 2014. Adjusted operating income (excluding amortization of \$79.0 million, restructuring and special items) was \$693.2 million, or 17.4% of net revenue, compared to \$507.3 million, or 17.2%, in the first half of 2014. The increase in adjusted operating income was due to the acquisition of Covance, organic volume growth and productivity gains, partially offset by price, mix and currency.

The Company’s earnings were reduced by restructuring and special items of \$214.4 million (\$161.8 million impacted operating income and \$52.6 million impacted interest expense), or \$154.8 million after-tax. As a result, the Company recorded net earnings in the first half of 2015 of \$169.7 million, or \$1.73 per diluted share, compared to \$254.4 million,

or \$2.94 per diluted share, last year. Adjusted EPS (excluding amortization, restructuring and special items) were \$3.85, compared to \$3.35 in the first half of 2014.

Operating cash flow for the first half of 2015 was \$309.8 million, compared to \$349.7 million in the first half of 2014, as the Company's operating cash flow was negatively impacted by \$153.5 million in non-recurring items relating to the acquisition of Covance. Excluding these items, operating cash flow was \$463.3 million, with the year-on-year increase driven by improved earnings, partially offset by seasonal working capital requirements. Capital expenditures totaled \$102.9 million, compared to \$104.6 million in the first half of 2014. As a result, free cash flow (operating cash flow less capital expenditures) was \$206.9 million, compared to \$245.1 million in the first half of 2014. Excluding non-recurring items, free cash flow was \$360.4 million during the first half of 2015.

The following segment results are presented on a pro forma basis for all periods as if the acquisition of Covance closed on January 1, 2014 and exclude amortization, restructuring, special items and unallocated corporate expenses. Reconciliations of segment results to historically reported results are included in the Condensed Pro Forma Segment Information tables and notes.

Segment Results

LabCorp Diagnostics

Net revenue for the quarter was \$1.58 billion, an increase of 5.4% over net revenue of \$1.49 billion for the second quarter of 2014. The increase in net revenue was the result of organic volume growth, measured by requisitions, Beacon LBS and tuck-in acquisitions, partially offset by currency. The increase in net revenue of 5.4% includes the benefit from Beacon LBS of 1.1%, and unfavorable foreign currency translation of 0.7%. Total volume (measured by requisitions) increased by 4.7% (organic volume of 4.3% and acquisition volume of 0.4%). Revenue per requisition increased by 0.2%.

Adjusted operating income (excluding amortization, restructuring and special items) for the quarter was \$347.1 million, or 22.0% of net revenue, compared to adjusted operating income of \$308.9 million, or 20.7% of net revenue, in the second quarter of 2014. The increase was primarily due to strong volume growth and productivity. Improvement in productivity was driven, in part, by Project LaunchPad, the Company's enterprise-wide business process improvement initiative. The Company is on track to deliver approximately \$50 million of net savings in 2015 through Project LaunchPad.

Covance Drug Development

Net revenue for the quarter was \$643.7 million, a decrease of 2.7% from revenue of \$661.3 million for the second quarter of 2014. The strengthening U.S. Dollar negatively impacted year-over-year revenue growth by approximately

450 basis points. Excluding currency, net revenue increased 1.8% year-over-year, on increased volume, partially offset by mix.

Adjusted operating income (excluding amortization, restructuring and special items) was \$89.9 million, or 14.0% of net revenue, compared to adjusted operating income of \$84.7 million, or 12.8% of net revenue, in the second quarter of 2014. The increase was primarily due to higher volume, cost synergies and lower depreciation expense, partially offset by the impact of currency and mix. The Company is on track to deliver acquisition-related cost synergies in 2015 of approximately \$35 million.

Net orders (gross orders less cancellations and reductions) in the quarter were \$737 million, representing a net book-to-bill of 1.15. Backlog at June 30, 2015 was approximately \$6.6 billion.

Outlook for 2015

The Company's updated guidance for 2015 includes the following:

- Net revenue growth (assuming foreign exchange rates effective as of June 30, 2015) of 40% to 42%, after the impact from approximately 190 basis points of negative currency. Net revenue growth in LabCorp Diagnostics of 3.5% to 5.5%, after the impact from approximately 70 basis points of negative currency. The change in net revenue in Covance Drug Development is expected to be -1.5% to 0.5% versus full year 2014 revenue after the impact of approximately 320 basis points of negative currency.
- Adjusted EPS of \$7.75 to \$8.00, versus prior guidance of \$7.55 to \$7.90, and as compared to \$6.80 last year.
- Operating cash flow of \$990 million to \$1,015 million, capital expenditures of \$270 million to \$295 million, and free cash flow of \$695 million to \$745 million. The Company expects free cash flow in 2015 to be negatively impacted by approximately \$120 million of net non-recurring items related to the Covance acquisition. Excluding these items, the Company expects free cash flow to be \$815 million to \$865 million versus \$536 million last year.

Use of Adjusted Measures

The Company has provided in this press release and accompanying tables "adjusted" financial information that has not been prepared in accordance with GAAP, including Adjusted EPS, Adjusted Operating Income, 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 press release.

The Company today is furnishing a Current Report on Form 8-K that will include additional information on its business and operations. This information will also be available in the investor relation's section of the Company's website at www.labcorp.com. Analysts and investors are directed to the Current Report on Form 8-K and the website to review this supplemental information.

A conference call discussing LabCorp's quarterly results will be held today at 9:00 a.m. Eastern Time and is available by dialing 877-809-9811 (330-863-3287 for international callers). The conference number is 68073423. A telephone replay of the call will be available through August 4, 2015 and can be heard by dialing 855-859-2056 (404-537-3406 for international callers). The conference number for the replay is 68073423. A live online broadcast of LabCorp's quarterly conference call on July 28, 2015 will be available at <http://www.labcorp.com/> or at <http://www.streetevents.com/> beginning at 9:00 a.m. Eastern Time. This webcast will be archived and accessible continuing through August 31, 2015.

About LabCorp®

Laboratory Corporation of America® Holdings, an S&P 500 company, is the world's leading healthcare diagnostics company, providing comprehensive clinical laboratory services through LabCorp Diagnostics, and end-to-end drug development support through Covance Drug Development. LabCorp is a pioneer in commercializing new diagnostic technologies and is improving people's health by delivering the combination of world-class diagnostics, drug development and knowledge services. With combined revenue pro forma for the acquisition of Covance in excess of \$8.5 billion in 2014 and more than 48,000 employees in over 60 countries, LabCorp offers innovative solutions to healthcare stakeholders. LabCorp clients include physicians, patients and consumers, biopharmaceutical companies, government agencies, managed care organizations, hospitals, and clinical labs. To learn more about Covance Drug Development, visit www.covance.com. To learn more about LabCorp and LabCorp Diagnostics, visit www.labcorp.com.

This press release contains forward-looking statements including with respect to estimated 2015 guidance and the impact of various factors on operating results. Each of the forward-looking statements is subject to change based on various important factors, including without limitation, competitive actions in the marketplace, adverse actions of governmental and other third-party payers and the results from the Company's acquisition of Covance. Actual results could differ materially from those suggested by these forward-looking statements. Further information on potential factors that could affect LabCorp's operating and financial results is included in the Company's Form 10-K for the year ended December 31, 2014, and the Company's Form 10-Q for the quarter ended March 31, 2015, including in each case under the heading risk factors, and in the Company's other filings with the SEC, as well as in the risk factors included in Covance's filings with the SEC. The information in this press release should be read in conjunction with a review of the Company's filings with the SEC including the information in the Company's Form 10-K for the year ended December 31, 2014, and subsequent Forms 10-Q, under the heading MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

- End of Text -
- Tables to Follow -

LABORATORY CORPORATION OF AMERICA HOLDINGS
Consolidated Statements of Operations
(in millions, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Net revenue	\$ 2,218.7	\$ 1,516.4	\$ 3,991.0	\$ 2,947.1
Reimbursable out-of-pocket expenses	50.4	—	71.3	—
Total revenues	<u>2,269.1</u>	<u>1,516.4</u>	<u>4,062.3</u>	<u>2,947.1</u>
Net cost of revenue	1,444.1	947.8	2,593.2	1,861.7
Reimbursable out-of-pocket expenses	50.4	—	71.3	—
Total cost of revenues	<u>1,494.5</u>	<u>947.8</u>	<u>2,664.5</u>	<u>1,861.7</u>
Gross profit	774.6	568.6	1,397.8	1,085.4
Selling, general and administrative expenses	392.4	297.9	832.8	582.8
Amortization of intangibles and other assets	46.6	22.0	79.0	43.0
Restructuring and other special charges	14.3	2.0	33.6	9.6
Operating income	<u>321.3</u>	<u>246.7</u>	<u>452.4</u>	<u>450.0</u>
Other income (expense):				
Interest expense	(57.9)	(25.8)	(162.2)	(51.5)
Equity method income, net	2.9	3.7	5.6	6.7
Investment income	0.3	0.4	0.9	0.6
Other, net	(2.3)	7.5	(1.2)	14.4
Earnings before income taxes	<u>264.3</u>	<u>232.5</u>	<u>295.5</u>	<u>420.2</u>
Provision for income taxes	<u>95.6</u>	<u>90.8</u>	<u>125.2</u>	<u>165.0</u>
Net earnings	168.7	141.7	170.3	255.2
Less: net earnings attributable to noncontrolling interest	(0.3)	(0.4)	(0.6)	(0.8)
Net earnings attributable to Laboratory Corporation of America Holdings	<u>\$ 168.4</u>	<u>\$ 141.3</u>	<u>\$ 169.7</u>	<u>\$ 254.4</u>
Basic earnings per common share	<u>\$ 1.67</u>	<u>\$ 1.67</u>	<u>\$ 1.76</u>	<u>\$ 3.00</u>
Diluted earnings per common share	<u>\$ 1.64</u>	<u>\$ 1.64</u>	<u>\$ 1.73</u>	<u>\$ 2.94</u>
Weighted average basic shares outstanding	100.7	84.7	96.3	84.9
Weighted average diluted shares outstanding	102.5	86.3	98.1	86.5

LABORATORY CORPORATION OF AMERICA HOLDINGS
Consolidated Balance Sheets
(in millions, except per share data)

	June 30, 2015	December 31, 2014
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 619.0	\$ 580.0
Accounts receivable, net of allowance for doubtful accounts of \$234.4 and \$211.6 at June 30, 2015 and December 31, 2014, respectively	1,201.4	815.7
Unbilled services	163.5	—
Supplies inventory	182.0	139.5
Prepaid expenses and other	387.3	157.5
Deferred income taxes	32.8	—
Total current assets	<u>2,586.0</u>	<u>1,692.7</u>
Property, plant and equipment, net	1,831.8	786.5
Goodwill	6,136.6	3,099.4
Intangible assets, net	3,644.8	1,475.8
Joint venture partnerships and equity method investments	68.6	92.6
Other assets, net	197.4	154.8
Total assets	<u>\$ 14,465.2</u>	<u>\$ 7,301.8</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 438.8	\$ 282.3
Accrued expenses and other	567.7	341.4
Unearned revenue	142.5	—
Deferred income taxes	—	5.5
Current portion of long-term debt	674.1	347.1
Total current liabilities	<u>1,823.1</u>	<u>976.3</u>
Long-term debt, less current portion	6,113.2	2,682.7
Deferred income taxes and other tax liabilities	1,372.6	530.4
Other liabilities	370.1	274.2
Total liabilities	<u>9,679.0</u>	<u>4,463.6</u>
Commitments and contingent liabilities	—	—
Noncontrolling interest	16.5	17.7
Shareholders' equity:		
Common stock	12.0	10.4
Additional paid-in capital	1,877.6	—
Retained earnings	3,955.8	3,786.1
Less common stock held in treasury	(975.9)	(965.5)
Accumulated other comprehensive loss	(99.8)	(10.5)
Total shareholders' equity	<u>4,769.7</u>	<u>2,820.5</u>
Total liabilities and shareholders' equity	<u>\$ 14,465.2</u>	<u>\$ 7,301.8</u>

LABORATORY CORPORATION OF AMERICA HOLDINGS

Consolidated Statement of Cash Flows

(in millions, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	\$ 168.7	\$ 141.7	\$ 170.3	\$ 255.2
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	119.2	62.8	223.1	123.5
Stock compensation	27.7	11.9	54.0	23.6
(Gain) loss on sale of assets	1.2	(9.1)	(0.1)	(16.2)
Accrued interest on zero-coupon subordinated notes	0.5	0.6	1.0	1.1
Earnings in excess of distributions from equity affiliates	(1.4)	(1.9)	(2.6)	(3.2)
Asset impairment	—	—	14.8	—
Deferred income taxes	(22.3)	(11.2)	(4.9)	(1.1)
Change in assets and liabilities (net of effects of acquisitions):				
Increase in accounts receivable (net)	(13.5)	(8.8)	(53.8)	(48.0)
(Decrease) increase in unbilled services	0.8	—	(24.7)	—
Decrease in inventories	5.3	0.5	9.5	3.4
Decrease in prepaid expenses and other	22.6	12.1	14.9	24.3
Increase (decrease) in accounts payable	15.1	1.4	(33.8)	(25.7)
Increase (decrease) in unearned revenue	(11.5)	—	2.6	—
Increase (decrease) in accrued expenses and other	84.3	7.4	(60.5)	12.8
Net cash provided by operating activities	<u>396.7</u>	<u>207.4</u>	<u>309.8</u>	<u>349.7</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(69.1)	(48.1)	(102.9)	(104.6)
Proceeds from sale of assets	0.2	0.1	0.5	0.3
Proceeds from sale of investment	—	16.3	8.0	31.3
Investments in equity affiliates	(1.2)	(7.4)	(4.8)	(8.5)
Acquisition of businesses, net of cash acquired	(62.2)	—	(3,684.4)	(65.7)
Net cash used for investing activities	<u>(132.3)</u>	<u>(39.1)</u>	<u>(3,783.6)</u>	<u>(147.2)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from senior notes offerings	—	—	2,900.0	—
Proceeds from term loan	—	—	1,000.0	—
Payments on term loan	(85.0)	—	(160.0)	—
Proceeds from revolving credit facilities	—	—	60.0	—
Payments from revolving credit facilities	(60.0)	—	(60.0)	—
Proceeds from bridge loan	—	—	400.0	—
Payments on bridge loan	—	—	(400.0)	—
Payment on senior notes	—	—	(250)	—
Payments on zero-coupon subordinated notes	—	(9)	—	(15.9)
Payment of debt issue costs	0.4	(0.1)	(36.7)	(0.1)
Payments on long-term lease obligations	(1.0)	(0.2)	(2.2)	(0.2)
Noncontrolling interest distributions	—	(0.3)	—	(0.6)
Deferred payments on acquisitions	(0.1)	(3.4)	(0.1)	(3.5)
Tax benefits adjustments related to stock based compensation	1.4	1.6	3.9	2.2
Net proceeds from issuance of stock to employees	25.5	42.5	56.0	58.9
Purchase of common stock	—	(56.5)	—	(164.2)
Net cash provided by (used for) financing activities	<u>(118.8)</u>	<u>(25.4)</u>	<u>3,510.9</u>	<u>(123.4)</u>
Effect of exchange rate changes on cash and cash equivalents	27.0	(2.3)	1.9	(3.6)
Net increase in cash and cash equivalents	172.6	140.6	39.0	75.5
Cash and cash equivalents at beginning of period	446.4	338.9	580.0	404.0
Cash and cash equivalents at end of period	<u>\$ 619.0</u>	<u>\$ 479.5</u>	<u>\$ 619.0</u>	<u>\$ 479.5</u>

LABORATORY CORPORATION OF AMERICA HOLDINGS
Condensed Combined Non-GAAP Pro Forma Segment Information
(in millions)

	Three Months Ended June 30,		Six Month Ended June 30,	
	2015	2014	2015	2014
<u>LabCorp Diagnostics</u>				
Net Revenue	\$ 1,575.0	\$ 1,494.6	\$ 3,058.3	\$ 2,908.4
Adjusted Operating Income	\$ 347.1	\$ 308.9	\$ 647.2	\$ 573.8
Adjusted Operating Margin	22.0%	20.7%	21.2%	19.7%
<u>Covance Drug Development</u>				
Net Revenue	\$ 643.7	\$ 661.3	\$ 1,268.3	\$ 1,298.3
Adjusted Operating Income	\$ 89.9	\$ 84.7	\$ 164.1	\$ 162.0
Adjusted Operating Margin	14.0%	12.8%	12.9%	12.5%
<u>Consolidated</u>				
Net Revenue	\$ 2,218.7	\$ 2,155.9	\$ 4,326.7	\$ 4,206.7
Adjusted Segment Operating Income	\$ 437.0	\$ 393.6	\$ 811.3	\$ 735.8
Unallocated corporate expense	(46.0)	(42.1)	(87.8)	(81.4)
Consolidated Adjusted Operating Income	\$ 391.0	\$ 351.5	\$ 723.5	\$ 654.4
Adjusted Operating Margin	17.6%	16.3%	16.7%	15.6%

The Condensed Combined Non-GAAP Pro Forma Segment Information includes operational information for Covance prior to the acquisition by the Company, including the three- and six-month periods ended June 30, 2014 and the period from January 1, 2015 through February 19, 2015. The Covance Drug Development segment amounts as well as the consolidated amounts are Non-GAAP measures. See the subsequent footnotes for discussion of the adjustments made for presentation purposes.

Notes to Condensed Combined Non-GAAP Pro Forma Segment Information

- 1) The Condensed Combined Non-GAAP Pro Forma Segment Information for the periods ended June 30, 2015 and 2014 is being presented for the sole purpose of helping the reader to understand the newly adopted segment presentation of the Company for the periods ended June 30, 2015 as a direct result of its acquisition of Covance on February 19, 2015. The Condensed Pro Forma Segment Information has been prepared utilizing historical LabCorp and Covance financial information and does not reflect what the Company's actual results of operations were for the periods ended June 30, 2015 and 2014, nor does it reflect all of the accounting entries that would normally be presented in pro forma financial statements prepared in accordance with the guidance contained in ASC 805-10-50 or Regulation S-X Rule 10-1.
- 2) The LabCorp Diagnostics segment includes historical LabCorp business units, excluding its Clinical Trials operations (which are part of the Covance Drug Development segment), and including the Nutritional Chemistry and Food Safety operations acquired as part of the Covance acquisition. The Covance Drug Development segment includes historical Covance business units, excluding its Nutritional Chemistry and Food Safety operations (which are part of the LabCorp Diagnostics segment), and including the LabCorp Clinical Trials operations. Unallocated corporate expenses represent general management and administrative corporate expenses that are incurred to support enterprise-wide initiatives. The cost of all other corporate support functions is charged to the specific operating segment as consumed.
- 3) For the three and six months ended June 30, 2015, the Company's operating income was impacted by a \$4.7 million and a \$6.6 million reduction in depreciation expense, respectively, and a \$2.6 million and a \$3.7 million increase in amortization expense, respectively, all resulting from fair market value measurement adjustments recorded in accordance with purchase price accounting associated with the acquisition of Covance.

The Company's fair market value measurement adjustments relating to the Covance purchase price are still preliminary and subject to change. The primary areas of the measurement adjustments that are not yet finalized are related to certain income tax items, intangible assets and residual goodwill. Accordingly, the Company expects that adjustments will be made to the values of the assets acquired and liabilities assumed as additional information is obtained about the facts and circumstances that existed at the valuation date. The final valuation associated with the acquisition is expected to be completed later in 2015.

- 4) The following table reconciles operating income, as reported by the Company and by Covance Inc. in their separate filings on Form 10-Q for the three- and six-month periods ended June 30, 2014 and the Company's operating income that is expected to be reported in its Quarterly Report on Form 10-Q for the three- and six-month periods ended June 30, 2015, to total adjusted operating income as presented below:

(Dollars in Millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Covance Inc. - pre-acquisition operating income as reported	\$ —	\$ 19.3	\$ —	\$ 86.2
Operating loss of Covance Inc. for the period January 1, 2015 through February 19, 2015, prepared on its historical basis of accounting	—	—	(24.3)	—
Add-back restructuring costs	—	56.8	0.9	60.9
Acquisition-related costs	—	—	53.7	—
Covance Inc. - pre-acquisition adjusted operating income, excluding amortization	\$ —	\$ 76.1	\$ 30.3	\$ 147.1
LabCorp - operating income, as reported	\$ 321.3	\$ 246.7	\$ 452.4	\$ 450.0
Acquisition-related costs	2.9	—	116.6	—
Restructuring and other special charges	14.3	2.0	33.6	9.6
Consulting fees	5.9	4.7	11.6	4.7
Amortization of intangibles and other assets	46.6	22.0	79.0	43.0
	<u>\$ 391.0</u>	<u>\$ 275.4</u>	<u>\$ 693.2</u>	<u>\$ 507.3</u>
Total Consolidated Combined Non-GAAP Pro Forma Adjusted Operating Income, excluding amortization	<u>\$ 391.0</u>	<u>\$ 351.5</u>	<u>\$ 723.5</u>	<u>\$ 654.4</u>

The Reconciliation of Non-GAAP Financial Measures provided below includes Covance as of February 19, 2015; prior to February 19, 2015, all results exclude Covance.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014		
<u>Adjusted Operating Income</u>				
Operating Income	\$ 321.3	\$ 246.7	\$ 452.4	\$ 450.0
Acquisition-related costs	2.9	—	116.6	—
Restructuring and other special charges	14.3	2.0	33.6	9.6
Consulting fees	4.9	4.7	11.6	4.7
Amortization of intangibles and other assets	46.6	22.0	79.0	43.0
Adjusted operating income	\$ 390.0	\$ 275.4	\$ 693.2	\$ 507.3
<u>Adjusted EPS</u>				
Diluted earnings per common share	\$ 1.64	\$ 1.64	\$ 1.73	\$ 2.94
Restructuring and special items	0.14	0.05	1.57	0.10
Amortization expense	0.31	0.15	0.55	0.31
Adjusted EPS	\$ 2.09	\$ 1.84	\$ 3.85	\$ 3.35
<u>Free Cash Flow</u>				
Net cash provided by operating activities	\$ 396.7	\$ 207.4	\$ 309.8	\$ 349.7
Less: capital expenditures	(69.1)	(48.1)	(102.9)	(104.6)
Free cash flow	\$ 327.6	\$ 159.3	\$ 206.9	\$ 245.1
<u>Free Cash Flow, Excluding Acquisition Related Charges</u>				
Net cash provided by operating activities	\$ 396.7	\$ 207.4	\$ 309.8	\$ 349.7
Add back: Acquisition-related charges	—	—	153.5	—
Net cash provided by operating activities, excluding acquisition-related charges	\$ 396.7	\$ 207.4	\$ 463.3	\$ 349.7
Less: Capital expenditures	(69.1)	(48.1)	(102.9)	(104.6)
Free cash flow, excluding acquisition-related charges	\$ 327.6	\$ 159.3	\$ 360.4	\$ 245.1

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Notes to Reconciliation of Non-GAAP Financial Measures

- 1) During the second quarter of 2015, the Company recorded net restructuring and special items of \$14.3 million. The charges included \$6.3 million in severance and other personnel costs along with \$8.6 million in facility-related costs associated with facility closures and general integration initiatives. The Company reversed previously established reserves of \$0.6 million in unused facility-related costs. The Company also recorded \$5.9 million in consulting expenses (recorded in selling, general and administrative) relating to fees incurred as part of its Project LaunchPad business process improvement initiative as well as Covance integration costs. In addition, the Company recorded \$2.9 million in short-term equity retention arrangements relating to the acquisition of Covance. The after tax impact of these charges decreased net earnings for the quarter ended June 30, 2015, by \$14.1 million and diluted earnings per share by \$0.14 (\$14.1 million divided by 102.5 million shares).

During the first quarter of 2015, the Company recorded net restructuring and other special charges of \$19.3 million. The charges included \$3.2 million in severance and other personnel costs along with \$1.3 million in costs associated with facility closures and general integration initiatives. In addition, the Company recorded asset impairments of \$14.8 million relating to lab and customer service applications that will no longer be used. The Company also recorded \$6.0 million of consulting expenses relating to fees incurred as part of its Project LaunchPad business process improvement initiative.

The Company recorded \$166.0 million of one-time costs associated with its acquisition of Covance. The costs included \$79.5 million of Covance employee equity awards, change in control payments and short-term retention arrangements that were accelerated or triggered by the acquisition transaction (\$32.8 in cost of sales and \$46.7 in SG&A in the accompanying Consolidated Statements of Operations). The acquisition costs also included advisor and legal fees of \$33.9 million (recorded in SG&A in the accompanying Consolidated Statements of Operations), \$15.2 million of deferred financing fees associated with the Company's bridge loan facility as well as a make-whole payment of \$37.4 million paid to call Covance's private placement debt outstanding at the purchase date (both amounts recorded in interest expense in the accompanying Consolidated Statements of Operations).

The after tax impact of these charges decreased net earnings for the six months ended June 30, 2015, by \$154.8 million and diluted earnings per share by \$1.57 (\$154.8 million divided by 98.1 million shares).

- 2) During the second quarter of 2014, the Company recorded net restructuring and special items of \$2.0 million. The charges included \$2.5 million in severance and other personnel costs along with \$0.2 million in facility-related costs associated with facility closures and general integration initiatives. The Company reversed previously established reserves of \$0.2 in unused severance and \$0.5 million in unused facility-related costs. In addition, the Company recorded \$4.7 million in consulting expenses (recorded in selling, general and administrative) relating to fees incurred as part of its comprehensive enterprise-wide cost structure review as well as one-time CFO transition costs. The after tax impact of these charges decreased net earnings for the quarter ended June 30, 2014, by \$4.1 million and diluted earnings per share by \$0.05 (\$4.1 million divided by 86.3 million shares).

During the first quarter of 2014, the Company recorded net restructuring and special items of \$7.6 million. The charges included \$2.8 million in severance and other personnel costs along with \$4.9 million in costs associated with facility closures and general integration initiatives. The Company reversed previously established reserves of \$0.1 million in unused severance.

The after tax impact of these combined charges decreased net earnings for the six months ended June 30, 2014, by \$8.8 million and diluted earnings per share by \$0.10 (\$8.8 million divided by 86.5 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, 2015 and 2014, intangible amortization was \$46.6 million and \$22.0 million, respectively (\$32.1 million and \$13.5 million net of tax, respectively) and decreased EPS by \$0.31 (\$32.1 million divided by

102.5 million shares) and \$0.15 (\$13.5 million divided by 86.5 million shares), respectively. For the six months ended June 30, 2015 and 2014, intangible amortization was \$79.0 million and \$43.0 million, respectively (\$53.6 million and \$26.5 million net of tax, respectively) and decreased EPS by \$0.55 (\$53.6 million divided by 98.1 million shares) and \$0.31 (\$26.5 million divided by 86.5 million shares), respectively.

- 4) During the first quarter of 2015, the Company's operating cash flows were reduced due to payment of \$153.5 million in acquisition-related charges. These payments were comprised of \$75.5 million in legal and advisor fees, \$40.6 million in accelerated Covance employee equity awards, and \$37.4 million in make-whole payments triggered by calling Covance private placement notes outstanding at the time of the transaction.

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