LabCorp
Laboratory Corporation of America

2007 Annual Report

Put Us to the Test

Business Description

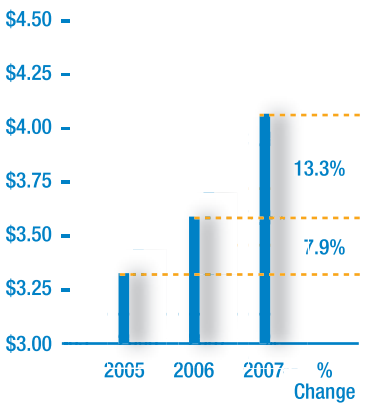
Laboratory Corporation of America® Holdings (LabCorp), a S&P 500 company, is a pioneer in commercializing new diagnostic technologies and the first in its industry to embrace genomic testing. With annual revenues of $4.1 billion in 2007, more than 26,000 employees nationwide, and more than 220,000 clients, LabCorp offers clinical assays, ranging from routine blood analyses to HIV and genomic testing. LabCorp combines its expertise in innovative clinical testing technology with its Centers of Excellence: The Center for Molecular Biology and Pathology, National Genetics Institute, Inc., ViroMed Laboratories, Inc., The Center for Esoteric Testing, DIANON Systems, Inc., US LABS, and Esoterix. LabCorp conducts clinical trial testing through its Esoterix Clinical Trials Services division. Our clients include physicians, government agencies, managed care organizations, hospitals, clinical labs, and pharmaceutical companies. To learn more about our organization, visit our Web Site at: www.LabCorp.com.

Financial Highlights

	Years Ended December 31,		
(in millions, except per share data)	**2007**	2006	2005
Net sales	**$ 4,068.2**	$3,590.8	$3,327.6
Gross profit	**1,691.2**	1,529.4	1,390.3
Operating income	**777.0**	697.1	618.1
Net earnings	**$ 476.8**	$ 431.6	$ 386.2
Basic earnings per common share	**$ 4.08**	$ 3.48	$ 2.89
Diluted earnings per common share	**$ 3.93**	$ 3.24	$ 2.71

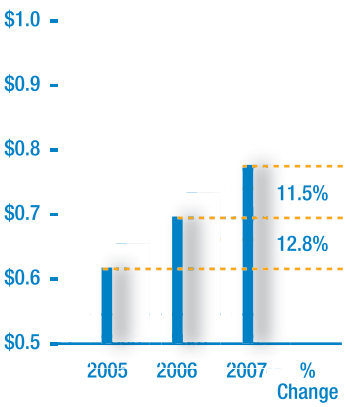
We Deliver Positive + Results

Revenue
($ in Billions)



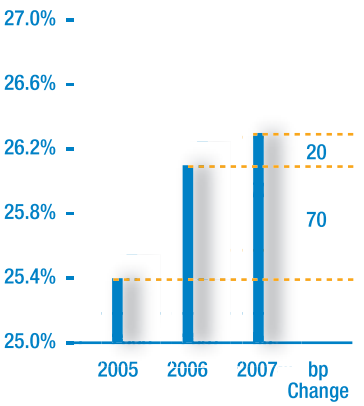
Continued execution of our strategic plan has resulted in strong revenue growth.

Operating Income
($ in Billions)



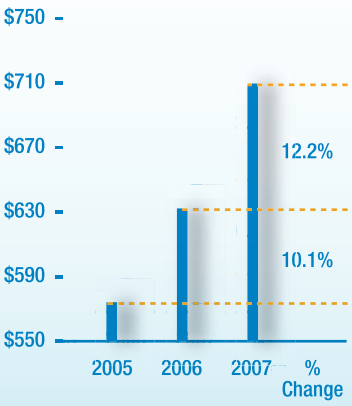
Operating income continued to grow in double digits.

EBITDA Margin



In a year of change, EBITDA margins still grew 20 basis points.

Operating Cash Flow
($ in Millions)



Operating cash flow has grown to over $700 million.

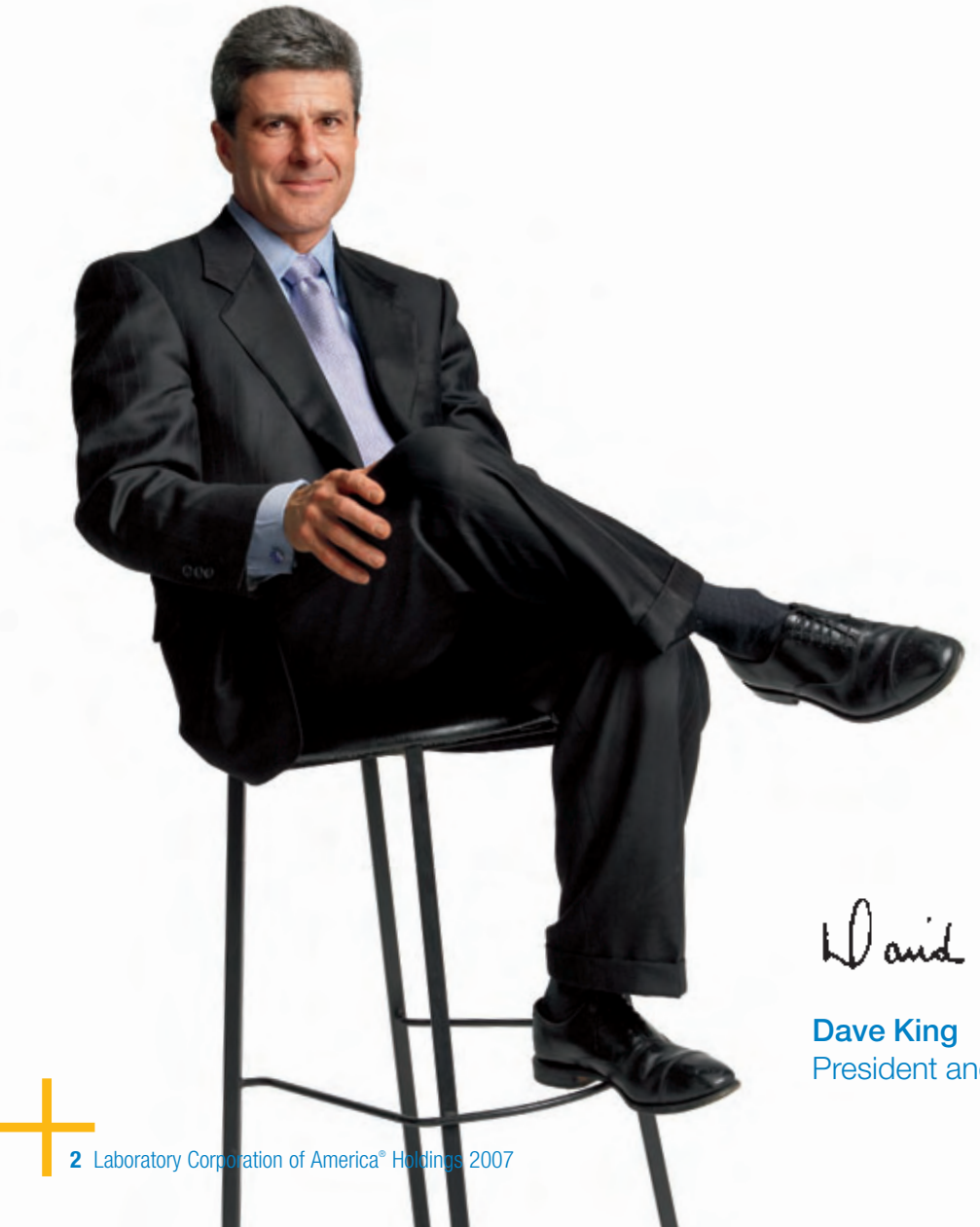
EPS
($ per share)

EPS has grown due to strong operational performance and efficient use of free cash flows.

Letter to Shareholders

Is it possible to quantify the value of our health in monetary terms?

Absolutely not.



David P. King

Dave King
President and Chief Executive Officer

Is it possible to quantify the value of a test that improves our health and our quality of life?

Absolutely.

This is why LabCorp presents a compelling value proposition to our shareholders and to the entire health care system. Laboratory testing represents approximately 4 percent of health care spending in the U.S., yet influences more than 70 percent of health care decisions. Lab testing is no longer merely a tool to help physicians decide what ails us; it is a critical part of the full continuum of health care delivery – prevention, diagnosis, treatment and monitoring.

Twenty-five million Americans now live with a chronic disease that significantly limits their daily activity. The major chronic diseases – cancer, lower respiratory, cardiovascular and diabetes – account for nearly 80 percent of our health care spend. Consider diabetes: the onset of this disease can lead to a profound deterioration in the quality of life – blindness, kidney failure, amputation, stroke and, often, premature death. There are 15 million Americans diagnosed with diabetes and another 43 million pre-diabetics. Lab testing plays a vital role in detecting, monitoring and managing this terrible disease. The average annual health care cost of an individual with diabetes is $13,243, compared to $2,546 for a healthy individual. Aggregated, diabetes accounts for $132 billion in direct and indirect costs each year. Yet the total annual cost of the laboratory testing required to detect, monitor and manage this killer disease is less than $50.

I, for one, find these statistics profoundly disturbing. Equally disturbing is the lack of recognition among policymakers and payors that lab testing is an important part of the solution to spiraling health care costs, not part of the problem. LabCorp has joined with industry colleagues to communicate this message to lawmakers and others who influence policy. I urge you to read about this effort, Results for Life, on page 15 of this Annual Report. I also urge you to join us in advocating the use of lab testing as a tool to guide therapy and optimize health care spend.

From an investment perspective, clinical laboratory testing has never been more relevant than it is today, and this relevance will only grow. Scientific advancements are yielding new testing capabilities. An aging population requires more and better tests. Physicians and their patients are better appreciating the value that these tests bring to health and wellness. Simply put, secular trends make a persuasive case for testing as a health care investment.

These health care trends and dynamics shape our strategic direction. The investments we make and the priorities we set are influenced by how best to manage the challenges and capitalize on the opportunities facing our industry. Our strategy continues to be focused on three key areas – managed care, scientific leadership and customer service – and 2007 was a watershed year in each.

Managed Care

Much of our time and attention during the past 12 months has been spent recontracting with major national managed care plans. Agreements are now in place with all of our national managed care partners, except Aetna, through at least the end of 2009. These agreements include Wellpoint, Cigna, Humana and UnitedHealthcare, which designated LabCorp as its sole national laboratory for a 10-year period that began in 2007.

We are very pleased with the first year of the UnitedHealthcare contract. Overall, the UnitedHealthcare contract translated into an approximate 6.6 percent increase in revenue, equating to over $250 million during 2007. Not only did we build out the infrastructure necessary to accommodate increased volume from United's nearly 28 million members, but we also transitioned business far more successfully than we

Letter to Shareholders *continued*

had projected. I am proud of the role our dedicated employees played in the execution of this important contract, and we all owe them a great debt of gratitude for their efforts.

The contract extension with Cigna Healthcare is also noteworthy. Previously, we were only allowed to market our in-network status with Cigna to approximately 40 percent of their membership. We were prohibited from marketing in most major markets. The new contract, which went into effect January 2008, no longer contains this restriction, creating new opportunities for us in many key markets.

We also are excited about the opportunity to expand our relationship with Wellpoint and build on our national strategic partnership agreement. Although we are Wellpoint's partner of choice in Georgia, Colorado and Nevada, we continue to work hard to expand our relationship in other key geographic markets, as well as to implement a number of strategic initiatives that will improve patient outcomes and reduce health care costs.

Scientific Leadership

I am proud that LabCorp delivers access to the most advanced scientific testing capabilities to doctors, patients and payors. The remarkable insights gained from genomic and esoteric testing are largely responsible for elevating laboratory testing to the enhanced role that it is playing in health care today. From a business perspective, these are high-margin services that improve our revenue mix and operating margins. Accordingly, we remain committed to continual expansion of our esoteric testing menu.

During 2007, we introduced over 40 new tests in disciplines such as oncology, infectious disease, immunology, genetics, coagulation and women's health. In most cases, we collaborate with partners through licenses or strategic research agreements. Though our esoteric testing expansion is broad-based, nearly all new tests share two common themes. First, we target areas where there is a clear need that the market is not meeting and, second, new testing technologies are increasingly oriented toward our goal of becoming the leading laboratory in personalized medicine.

This rapidly evolving field presents opportunities for improving patient care and growing revenue. Our recent acquisition of Tandem Labs, a leading bioanalytical and immunoanalytical laboratory that supports pharmaceutical and biotechnology companies with discovery, preclinical and clinical drug development programs is a further sign of our commitment to lead in the personalization of care. Tandem will be instrumental in helping to grow our clinical trials business and enhance our leadership position in companion diagnostics. We intend to partner with pharmaceutical companies in developing diagnostics that will help patients receive the drugs that, for each of them, are safe, effective and correctly dosed. We view personalized medicine as an increasingly important segment of health care, and our initiatives in this area are an important component of our long-term plan for growth.

Customer Service

LabCorp begins 2008 with a much more robust geographic footprint than that of a year ago. To fully serve new providers and patients, we have increased our presence in major markets such as metropolitan New York, Chicago and St. Louis. Yet despite the challenges of rapid growth, our customer surveys show that overall satisfaction actually increased in 2007. Again, we owe credit to our hardworking front-line employees who so admirably represent LabCorp to doctors and patients around the country. We significantly improved our IT and connectivity capabilities in 2007, and we will continue to improve the customer experience in 2008 and the years ahead.

During 2007, I sent quarterly letters to each of our more than 220,000 accounts, asking about their LabCorp experience. I appreciated all client feedback, and I personally made sure that a member of senior management responded to every comment. This attention to detail and ability to learn from our customers is an important way in which we enhance our customer-focused culture.

We continue to expand into key markets to better serve doctors and patients. The acquisition of DSI Laboratories added 21 new patient service centers for us in southwest Florida, a heavily populated and fast-growing area. Similarly, the acquisition of PA Laboratories in Muncie, Indiana, a suburb of Indianapolis, has provided us with an anchor in the nation's 12th-largest metropolitan area.

Both acquisitions were significant because they involved collaboration with a hospital to purchase an outreach testing program while, at the same time, enabling them to keep their core hospital lab intact. Hospitals still represent over 50 percent of the clinical laboratory testing market, and we believe that two-thirds of that market is business for which we can effectively

"We have announced a three-year plan, LabCorp 2010. This initiative will drive growth by providing improved tools to our employees, increasing automation in the preanalytical process, using robotics in the laboratory, optimizing logistics and maximizing the supply chain."

compete. We will continue to look for innovative collaborations that bring increased efficiency to hospital laboratory operations and allow them to maintain their strong relationships with the communities they serve.

A Three-Year Initiative to Further Efficiency

Whether it's a routine blood test or a complex genetic analysis, our physicians and patients expect and deserve convenience, accuracy and timeliness. We remain committed to running the best laboratories in the industry and work continuously to improve our effectiveness in this area.

To this end, we have announced a three-year plan, LabCorp 2010. This initiative will drive growth by providing improved tools to our employees, increasing automation in the preanalytical process, using robotics in the laboratory, optimizing logistics and maximizing the supply chain. Specific LabCorp 2010 activities will begin rolling out in 2008, and we are confident that this program will help ensure excellent customer service and continued industry-leading operating margins.

Strong Performance Continued in 2007

Personalized medicine and LabCorp 2010 are the newest in a series of initiatives – such as the War on DSO – that have helped to ensure a consistently strong financial performance over the past decade. We continued that record in 2007. Net sales increased 13.3 percent to $4.1 billion. Before restructuring and other special charges, earnings per diluted share grew from $3.30 to $4.18, a 26.7 percent increase.

The Company's cash generation remains impressive. Operating cash flow rose to $709.7 million in 2007, as compared to $632.3 million in 2006. Earnings before interest, taxes, depreciation and amortization were 26.3 percent of net sales, an improvement of 20 basis points compared to 2006.

LabCorp's balance sheet is as healthy as its income statement. With a debt-to-equity ratio of 1.5 and a new $1 billion credit facility, we have the resources and flexibility for continued investment in our business. During the year, we returned value to our shareholders through the repurchase of $924 million of stock.

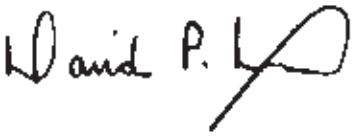
More Potential to Realize

As you can see, 2007 was a watershed year for LabCorp. It was likewise a watershed year for me in my new role as CEO. It is a humbling experience to lead an organization of 26,000 talented and committed employees, and I am grateful to them for their daily contributions to our cause. It is humbling, as well, to contemplate the responsibility with which millions of physicians and patients entrust us. And it is also humbling to recognize the trust that you, our valued shareholders, place in us to deliver consistent value.

We are fortunate to work in a Company and an industry where our actions build value for our shareholders and improve people's lives in profound and vital ways.

Rest assured that we are working diligently to realize our full potential. We appreciate your confidence in us and your support.

Sincerely,



Dave King
President and Chief Executive Officer

Test: Implement the largest managed care contract in industry history

Positive + Result

Over $250 million in incremental revenue

Genetic Testing Benefits

The knowledge gleaned from prenatal genetic testing can lead to better-informed choices about family planning and management of pregnancy. Our genetic testing portfolio keeps pace with rapid changes in this arena. It is now recommended, for example, that all pregnant women, regardless of age, be offered screening for Down Syndrome. LabCorp has become the first national clinical lab to offer both integrated and sequential screening tests for Down Syndrome. These tests provide more sensitive technology to achieve higher detection rates and fewer false positive results.

A monumental contract presents a monumental test of operational execution. Our historic, 10-year agreement to be the sole national laboratory for UnitedHealthcare was an impressive milestone for LabCorp in 2007. Equally as impressive, however, has been the rapid buildout of the infrastructure necessary to meet the increased volume and customer service needs of United's nearly 28 million members.

Within a three-month period, we opened over 400 patient service centers across the United States, hired over 1,700 people, completed thousands of connectivity installations and established an equal number of new physician accounts. In some instances, innovative thinking was required, as with our relationship with Duane Reade, the most recognized retail drug store in metropolitan New York. To date, we have established patient service centers in over 20 of their stores. This mutually beneficial arrangement has been a great success and a model that we will consider in future market expansions.

Quality has been as important as quantity in passing the tests posed by the United contract. For this relationship to make financial and strategic sense for us, it was critical to establish LabCorp as the laboratory of choice for United's physicians and patients. To this end, our representatives met and visited personally with over 200,000 customer accounts to cement new relationships. With the resulting record testing volume at our laboratories and record numbers of patients at our service centers, we also had to demonstrate our ability to deliver quality service and convenience. Again, we passed the test, with key service metrics such as turnaround and patient service center wait times remaining at exemplary levels.

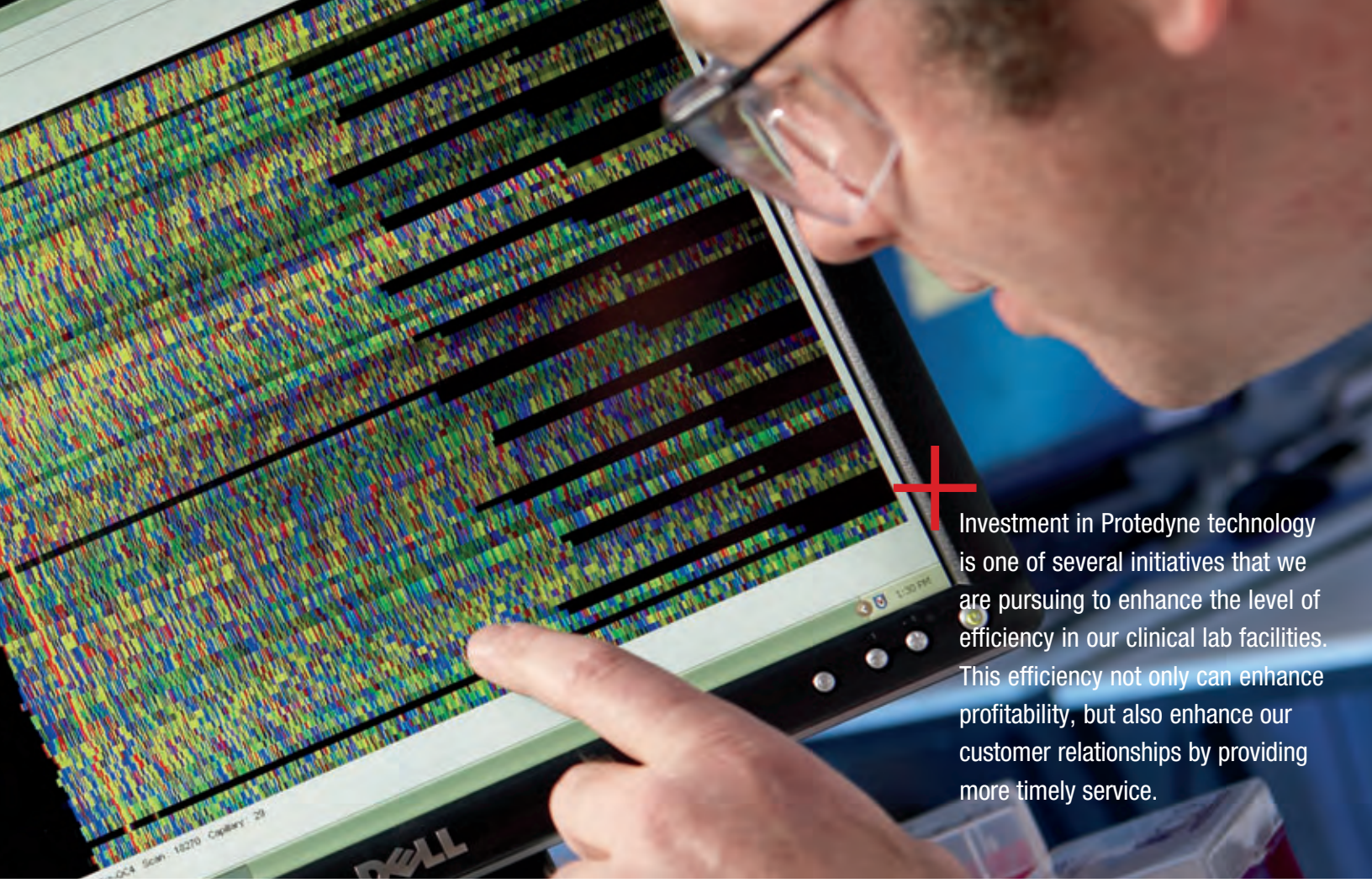
A significant strategic benefit of our relationship with United has been the ability to expand our geographic footprint in major markets, such as the New York metropolitan area. We also have grown share in markets such as Los Angeles, Chicago and St. Louis, fortifying our foundation for future profitable growth.

Test: Increase lab efficiency for our customers

Positive + Result

An investment in automation with the acquisition of Protedyne

Customer satisfaction levels reached 92 percent in the fourth quarter of 2007, reflecting the success of increased investments in automation, combined with a customer-centric workforce that imparts a deep sense of personal commitment to patient care.



Investment in Protedyne technology is one of several initiatives that we are pursuing to enhance the level of efficiency in our clinical lab facilities. This efficiency not only can enhance profitability, but also enhance our customer relationships by providing more timely service.

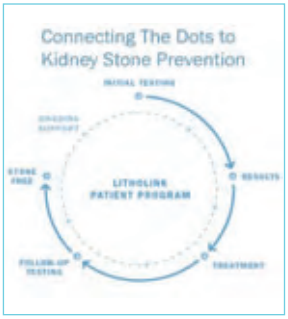
In order to test more than 400,000 specimens for over 220,000 customers on a daily basis, the science of efficiency is almost as important as the science of medicine. Indeed, our volume-driven business model demands a fine balance of high-tech and high-touch in order to provide physicians and patients with timely and accurate results. Accordingly, LabCorp's customer service commitment capitalizes on both the automated efficiencies of technology and the personalized actions of our workforce.

We are investing heavily in automation enhancements at every phase of the testing process. Protedyne technology, for example, combines powerful robotic hardware with customized software to automate preanalytical processes in the lab. Deployment of these robots in labs to date has led to a reduction in preanalytical errors, improved turnaround time and cost savings. We are currently automating our HPV lines in all laboratories, utilizing Protedyne robotics and should be completed by the end of the year.

On the front lines of our business, we are piloting automated kiosks in patient service centers to streamline the check-in process and improve wait times. Our goal is always to complement this customer-facing automation with a customer-centric workforce. We must never lose sight of the very personal nature of our business. Our success is dependent upon the results that our scientists and technicians provide behind-the-scenes, as well as the service that our couriers, phlebotomists and account service representatives deliver in person to our physicians and patients.

Litholink Kidney Stone Model

Kidney stones not only are painful; they cost $2 billion a year to treat. The Litholink Kidney Stone Program is a cycle of testing and treatment recommendations that provides physicians and patients with actionable data to improve outcomes. The program reduces stone recurrence by 80 percent and reduces costs per patient by $2,000. Litholink is a model for kidney stone treatment, as well as for how clinical laboratory testing can solve health care issues. We anticipate expanding this model to Chronic Kidney Disease in mid-2008 and additional programs over the coming years.



Test: Pursue scientific leadership in testing innovation

Positive + Result

A 106 percent increase in high-margin testing since 2002

Personalized Medicine

It has been fewer than 10 years since The Human Genome Project first released its initial findings, and already the promise of a more personalized era of medicine is here – one in which the value of testing is far more pronounced. Pharmacogenetics, for instance, utilizes testing to tailor drug therapy to an optimum level for an individual, thus avoiding "trial-and-error" methods and reducing the incidence of adverse drug reactions. This class of testing has a myriad of applications, including revolutionizing chemotherapy regimens in the treatment of cancer.

LabCorp's ability to generate industry-leading margins has stood the test of time, in part due to its ability to steadily increase revenues from an ever-expanding menu of gene-based and esoteric tests. Increasingly, this innovation is emphasizing the use of companion diagnostics and pharmacogenetics, which, in turn, is leading to a vastly more personalized level of health care.

A strategic agreement with Medco Health Solutions, for instance, is centered on tamoxifen, a drug commonly used to treat and prevent certain forms of breast cancer. Approximately 10 percent of women using tamoxifen do not fully benefit from the drug because of genetic variations. Genotyping can identify these variations, allowing for more safe and effective use of tamoxifen, as well as enabling patients to pursue alternative treatments earlier.

Similarly, we have entered into an exclusive licensing agreement with Duke University to commercialize a new blood-based assay for early detection of lung cancer, which accounts for the most cancer-related deaths annually in the U.S. Through the development of biomarkers to identify high-risk individuals, this test will provide physicians with a powerful diagnostic tool to complement current imaging technologies. This combination could improve the rate of early lung cancer diagnosis, a critical factor in surviving the disease.

Long a pioneer in the use of polymerase chain reaction (PCR) technology and infectious disease testing, LabCorp has become the first commercial lab to offer a new, highly accurate HIV test for diagnostic use. Developed by Roche, the fully automated, real-time PCR test quantifies the amount of the virus in the blood from very high to very low levels. As a result, patients can receive more tailored treatment regimens in order to better manage the virus – yet another example of the personalized medicine of the future that is here today.

LabCorp is the first commercial laboratory to utilize Roche Diagnostics' COBAS®AmpliPrep/COBAS® TaqMan® HIV-1 Test. The technology enables doctors to establish a more accurate baseline HIV infection level for patients and to better monitor levels during treatment. As a result, treatments can be tailored to patient needs.

By pursuing new testing capabilities in areas where there is an unmet need, LabCorp expands its portfolio of high-margin, gene-based and esoteric tests and helps to make groundbreaking technologies widely available to patients throughout the United States.

Pictured from bottom right clockwise

Dave King, President and CEO; **Don Hardison**, EVP and COO; **Myla Lai-Goldman**, EVP, Chief Scientific Officer and Medical Director; **Brad Hayes**, EVP, Chief Financial Officer; **Scott Walton**, EVP, Chief Information Officer; **Bill Haas**, EVP, Esoteric Business; **Brad Smith**, EVP Corporate Affairs and Secretary.

Put Us to the Test

A Roundtable Discussion with LabCorp's Senior Management Team

The past 12 months have marked an intense period of change, particularly with regard to managed care contracts. Have these new agreements resulted in new pricing pressures for the industry?

Dave King: Pricing pressure is a fact of life in our business and, quite frankly, in all areas of health care. All providers are seeing reimbursement reductions as a result of managed care health plan consolidation and the continuing increase in health care costs. Price has always been a factor in any contract negotiation. Certainly, the UnitedHealthcare contract kicked off a price reset, but I believe one already was on the way.

Specifically, how does the new Cigna contract create a growth opportunity for LabCorp?

Dave King: Under the old contract, our representatives were prohibited from informing physicians and patients in 17 major markets that we were contracted with Cigna, due to a legacy contract restriction. The new agreement lifts this restriction so that we can compete for Cigna business in these very important markets, which include New York, New Jersey, Florida, Texas and Georgia.

On a similar explanatory note, how does the "leakage accounting" work under the UnitedHealthcare contract? How much does this obligation represent?

Brad Hayes: We are contractually obligated to reimburse UnitedHealthcare during the first three years of the contract for the cost differential when a United patient, in certain markets, uses a national lab provider other than LabCorp. Our total obligation is capped at $200 million. In 2007, we were billed $38 million and, based on trends, we believe that our overall exposure will be approximately $115 million. The ability to complete the buildout of service centers in a timely manner, initiate personal contact with United-related accounts and accommodate increased testing volume, while maintaining service standards, have all combined to help minimize leakage. This was a huge test for LabCorp and one that we passed convincingly.

What percentage of revenues does LabCorp derive from esoteric testing, and how are these revenues trending?

Bill Haas: At year-end 2007, approximately 34 percent of our revenues were generated by genomic, esoteric and anatomic pathology testing categories. For the first time ever, this percentage actually declined slightly year-over-year as we transitioned the UnitedHealthcare business, which was weighted toward core testing. Actually, we view this as an opportunity to go back to these accounts and convince them of our capabilities, superior quality and ease to work with. Our goal over the next three to five years is to increase our esoteric test mix to approximately 40 percent of revenue. Continued adoption of existing esoteric tests and the development and acceptance of new esoteric tests will help drive this growth.

Senior Management Team *continued*

Please share an example of a test that demonstrates the concept of personalized medicine?

Myla Lai-Goldman: We are collaborating with ARCA Discovery, a biopharmaceutical company, to develop a commercial genetic test to aid in prescribing bucindolol, a generically targeted heart failure drug that ARCA is developing. Our test will identify common genetic variations that regulate the heart and that affect a patient's response to bucindolol. The development of a commercial genetic test in parallel with the drug approval process is an innovative new model for the drug development industry and one that we look to replicate with other partners.

How are you working with your managed care partners to help them better manage health care costs for their patient populations?

Scott Walton: We believe that LabCorp is the only national lab that has standardized data on the patients we see. Our goal over the next few years is to bundle this data into useful reports for both managed care companies and physicians so that they can better care for their patients.

As you develop or license new esoteric tests, what are your criteria? How do you decide which tests to pursue?

Myla Lai-Goldman: Market needs really drive our decision-making process. We look for technologies that can truly deliver new insights to health care providers. In our evaluation process, we ask a key question – "Are there any other tests on the market today that can reveal the same result?" If not, then we have uncovered an unmet need. We also look at our ability to commercialize the test on a broad basis and evaluate the likelihood of acceptance and adoption rates among providers. Some recent examples include our agreement with Duke University to develop a lung cancer screening test and with Intema Limited's Integrated and Sequential screening tests for Down Syndrome.

Shifting to operational issues, can you provide some specific examples of the type of process improvement tools that you will be implementing as part of the LabCorp 2010 initiative?

Don Hardison: LabCorp 2010 is a vision whereby we are not only the most automated and efficient lab, but also the easiest lab for both patients and physicians to work with. We have plans to automate check-in processes at our Patient Service Centers by using a kiosk, similar to those used by airlines. At the lab, we plan to automate many of our preanalytical areas, such as splitting and order entry. Years ago, LabCorp had the foresight to standardize its lab and billing systems. Now we are taking efficiency to the next level.

Beyond acquisitions, what other uses do you anticipate for cash during 2008?

Brad Hayes: Cash investments are guided by our commitment to return value to our shareholders. We should look to grow our business, either organically or by acquisitions and licensing agreements. At the same time, we recognize that share repurchases play a big part in how we return value to our shareholders. We plan to be opportunistic on both fronts.

How attractive is the acquisition market?

Dave King: The acquisition market is still as attractive as ever. During the first half of 2007, pricing was a bit higher than normal, due to readily available credit. As the credit markets tightened in the second half of the year, we saw pricing return to a range more in line with historical levels. We are sensitive to price and need to ensure that acquired growth is accretive and strategic. This means acquisitions must either help increase our presence in key geographic areas or grow our esoteric testing franchise. The purchase of Tandem Labs to further our initiatives in personalized medicine is a good example of the type of transaction that interests us.

What effect would a prolonged economic downturn have on your business?

Brad Smith: We are uncertain of the effect on volume in a prolonged downturn. During the last downturn, we did not notice any significant effects on volume, but health plan benefit designs have changed significantly in recent years. We monitor volume daily and are attuned to any emerging issues. Cash collection is another area that we will watch. We see an increasing number of "high deductible" plans in which the patient is responsible for more payments prior to insurance covering the cost of care. Although we have been successful with collecting in the past, a recession could present obvious challenges.

A Positive Industry Message:
Results for Life

A $31 pap smear can avert a potential $36,000 in cervical cancer treatment.

A $17 test can detect lead in a 5-year-old and alter the course of his entire life.

A $13 hemoglobin A1c test that tracks changes in a patient's glucose level over three months could begin to reverse the $174 billion spent annually on diabetes treatment.

These are not anecdotes, but facts that are integral to shaping a better and more cost-effective health care system for Americans. This is a story that needs to be told to lawmakers, the news media and the American public. And this story is being told today through the efforts of *Results for Life*, a national campaign launched in 2007 by the American Clinical Laboratory Association, of which LabCorp is a member.

Results for Life is educating opinion and policymakers through studies, polling, multimedia materials, Internet communications and targeted advertising. The campaign goal is to communicate how clinical laboratory testing contributes to a health care system that places a high priority on prevention and early detection of illness. LabCorp urges physicians, patients and shareholders to visit **www.resultsforlife.org** to learn more about the contributions that our industry can make to enhance our health care system and our lives.

RESULTS for LIFE
LAB TESTING: BETTER HEALTH, IMPROVED OUTCOMES

"…We have the tests, treatments, data, and knowledge to control the devastating impact of these diseases. We don't have to wait for a miracle cure. As Congress and the presidential candidates of both parties address the complex health care challenges facing America, we all must not overlook the practical, evidence-based, real-world solutions that already lie at our fingertips."

—U.S. Representative Diana DeGette (D-Colo.) writing in an op-ed column on the cost of chronic disease in America. Published in *The Hill*, February 5, 2008.

Laboratory Corporation of America
Board of Directors

Thomas P. Mac Mahon
Chairman

Bradford T. Smith
Vice Chairman
Executive Vice President,
Corporate Affairs and Secretary

David P. King
President and
Chief Executive Officer

Kerrii B. Anderson [1, 2]
Chief Executive Officer and
President of Wendy's International, Inc.

Jean-Luc Bélingard [2, 3]
Chief Executive Officer of Ipsen SA,
a diversified French healthcare
holding company

Wendy E. Lane [1, 4]
Chairman of Lane Holdings, Inc.,
an investment firm

Robert E. Mittelstaedt, Jr. [1, 4]
Dean and Professor, W.P. Cary School
of Business, Arizona State University

Arthur H. Rubenstein, MBBCh [1, 3]
Executive Vice President, University of
Pennsylvania Health System and Dean
of the School of Medicine

R. Sanders Williams, M.D. [3, 4]
Dean and Vice Chancellor of the
Duke School of Medicine

M. Keith Weikel, Ph.D. [2, 3]
Former Senior Vice President and
Chief Operating Officer of
HCR Manor Care, Inc.

Committees:
[1] Audit
[2] Compensation
[3] Quality and Compliance
[4] Nominating and Corporate Governance

Board of Directors
(front row, left to right)
Tom Mac Mahon, Dave King

(second row, left to right)
Keith Weikel, Jean-Luc Bélingard, Kerrii Anderson,
Brad Smith, Wendy Lane, Arthur Rubenstein,
Robert Mittelstaedt, R. Sanders Williams

Laboratory Corporation of America

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Laboratory Corporation of America

Five-Year Selected Financial Data

The selected financial data presented below under the captions "Statement of Operations Data" and "Balance Sheet Data" as of and for the five-year period ended December 31, 2007 are derived from consolidated financial statements of the Company, which have been audited by an independent registered public accounting firm. This data should be read in conjunction with the accompanying notes, the Company's consolidated financial statements and the related notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all included elsewhere herein.

	Year Ended December 31,				
(in millions, except per share amounts)	2007[a]	2006[b][c]	2005[d]	2004	2003
Statement of Operations Data:					
Net sales	$4,068.2	$3,590.8	$3,327.6	$3,084.8	$2,939.4
Gross profit	1,691.2	1,529.4	1,390.3	1,289.3	1,224.6
Operating income	777.0	697.1	618.1	598.4	533.7
Net earnings	476.8	431.6	386.2	363.0	321.0
Basic earnings per common share	$ 4.08	$ 3.48	$ 2.89	$ 2.60	$ 2.23
Diluted earnings per common share	$ 3.93	$ 3.24	$ 2.71	$ 2.45	$ 2.11
Basic weighted average common shares outstanding	116.8	124.1	133.5	139.4	144.0
Diluted weighted average common shares outstanding	121.3	134.7	144.9	150.7	154.7
Balance Sheet Data:					
Cash and cash equivalents, and short-term investments	$ 166.3	$ 186.9	$ 63.1	$ 206.8	$ 123.0
Goodwill and intangible assets, net	2,252.9	2,094.2	2,122.7	1,857.4	1,857.3
Total assets	4,368.2	4,000.8	3,875.8	3,626.1	3,414.9
Long-term obligations[e]	1,667.0	1,157.4	1,148.9	889.3	879.5
Total shareholders' equity	1,725.3	1,977.1	1,885.7	1,999.3	1,895.9

Five-Year Selected Financial Data

(a) During 2007, the Company recorded net restructuring charges of $50.6 related to reductions in work force and consolidation of redundant and underutilized facilities.

(b) Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment ("SFAS 123(R)"), which requires the Company to measure the cost of employee services received in exchange for all equity awards granted, based on the fair market value of the award as of the grant date. As a result of adopting SFAS 123(R), the Company recorded approximately $23.3 in stock compensation expense relating to its stock option and employee stock purchase plans for the year ended December 31, 2006. Net earnings for the year ended December 31, 2006, were reduced by $13.9, net of tax.

(c) During the second half of 2006, the Company recorded charges of approximately $12.3, primarily related to the acceleration of the recognition of stock compensation due to the announced retirement of the Company's Chief Executive Officer, effective December 31, 2006. The Company also recorded net restructuring charges of $1.0 in the third quarter of 2006, relating to certain expense-reduction initiatives undertaken across the Company's corporate and divisional operations.

(d) During the third and fourth quarters of 2005, the Company began to implement its plan related to the integration of Esoterix and US LABS operations into the Company's service delivery network. The plan was directed at reducing redundant facilities while maintaining excellent customer service. The Company recorded $11.9 of costs associated with the execution of the integration plan. The Company also recorded a special charge of $5.0 related to forgiveness of amounts owed by patients and clients as well as other costs associated with the areas of the Gulf Coast severely impacted by hurricanes Katrina and Rita.

(e) Long-term obligations primarily includes the Company's zero-coupon convertible subordinated notes, 5½% senior notes due 2013, 5⅝% senior notes due 2015, term loan and other long-term obligations. The accreted balance of the zero-coupon convertible subordinated notes was $564.4, $554.4, $544.4, $533.7, and $523.2, at December 31, 2007, 2006, 2005, 2004 and 2003, respectively. The balance of the 5½% senior notes, including principal and unamortized portion of a deferred gain on an interest rate swap agreement, was $352.2, $352.6, $353.0, $353.4, and $353.8, at December 31, 2007, 2006, 2005, 2004, and 2003, respectively. The principal balance of the 5⅝% senior notes was $250.0 at December 31, 2007, 2006 and 2005 and $0 for all other years presented. The term loan was $500.0 at December 31, 2007 and $0 for all other years presented. The remainder of other long-term obligations consisted primarily of mortgages payable with balances of $0.4, $0.4, $1.5, $2.2, and $2.5, at December 31, 2007, 2006, 2005, 2004, and 2003, respectively. Long-term obligations exclude amounts due to affiliates.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)

GENERAL

During 2007, the Company continued to strengthen its financial performance through the implementation of the Company's strategic plan and the expansion of its national platform in routine testing. This plan continues to provide growth opportunities for the Company by building a leadership position in genomic and other advanced testing technologies primarily through internal development efforts, acquisitions and technology licensing activities.

The Company recognizes the strategic value of managed care in the industry and continues to have strong relationships with national managed care organizations. On an exclusive and non-exclusive basis, most major managed care organizations have re-contracted in 2007 for laboratory services with single or multi-year agreements.

Effective January 1, 2007, the Company commenced its successful implementation of its ten-year agreement with United Healthcare Insurance Company ("UnitedHealthcare") and became its exclusive national laboratory provider. Over a period of several years, the Company will continue to perform more of UnitedHealthcare's testing. During the first three years of the ten-year agreement, the Company has committed to reimburse UnitedHealthcare up to $200 for transition costs related to developing expanded networks in defined markets. During 2007, approximately $38.3 of such transition payments were billed to the Company by UnitedHealthcare and approximately $32.0 had been remitted by the Company.

During 2007 and the fourth quarter of 2006, the Company opened over 400 new patient service centers and hired over 1,700 new service positons to provide increased accessibility to the clients and patients of UnitedHealthcare as well as all of the Company's customer base. By increasing its customer service access points and by working with UnitedHealthcare to convert its members' business over to LabCorp, the Company believes that it has been able to reduce the amount of UnitedHealthcare's transition costs. Based on the preliminary trend rates of the transition payment amounts billed by UnitedHealthcare during 2007, the Company believes that its total reimbursement commitment under this agreement will be approximately $115.0. The Company is amortizing the total estimated transition costs over the life of the contract. In addition, the Company invested approximately $29.0 and $15.6 in capital projects relating to the United Healthcare contract during 2007 and 2006, respectively.

During the second quarter of 2007, the Company executed a multi-year clinical laboratory services contract renewal with CIGNA HealthCare ("CIGNA"), whereby the Company will continue to be a contracted laboratory provider in all CIGNA markets. Additionally, effective January 1, 2008, the Company will no longer be contractually restricted from marketing that it is a fully participating, in-network provider to CIGNA for all services in all major markets.

Effective July 1, 2007, the Company became a non-participating laboratory provider for Aetna Inc. ("Aetna"). However, the Company has continued to accept and perform laboratory services for Aetna patients and physicians in cases where the Company is the laboratory of choice for Aetna members and physicians.

During 2007, the Company executed a five-year agreement with Humana, Inc. ("Humana") which continues its relationship with the Company and allows all of Humana's members to have access to the Company's laboratory testing services in all of Humana's markets.

With the Company's expanding geographic base of customer service locations, it will continue to focus on all of its other managed care partners in order to achieve superior patient care at competitive prices. Wellpoint, Inc. ("Wellpoint") continues to be a valued partner and the Company continues to work with Wellpoint on ways to expand the parties' national strategic relationship, including the Company's commitment to maximize the value of Wellpoint's laboratory testing spend.

Effective January 1, 2008 the Company acquired additional partnership units in its Ontario, Canada joint venture, bringing the Company's percentage interest owned up to 85.6%. Concurrent with this acquisition, the terms of the joint venture's partnership agreement were amended. Based upon the amended terms of this agreement, the Company began including the consolidated operating results, financial position and cash flows of the Ontario, Canada joint venture in the Company's consolidated financial statements on January 1, 2008. The amended joint venture's partnership agreement also enables the minority interest to put the remaining partnership units to the Company in defined future periods, at an initial amount equal to the consideration paid by the Company in 2008, and subject to adjustment based on market value formulas contained in the agreement.

Seasonality

The majority of the Company's testing volume is dependent on patient visits to doctor's offices and other providers of health care. Volume of testing generally declines during the year-end holiday periods and other major holidays. In addition, volume declines due to inclement weather may reduce net revenues and cash flows. Therefore, comparison of the results of successive quarters may not accurately reflect trends or results for the full year.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)

RESULTS OF OPERATIONS

Years Ended December 31, 2007, 2006, and 2005

Net Sales

	Years Ended December 31,			% Change	
	2007	2006	2005	2007	2006
Net sales					
Routine Testing	$2,671.9	$2,347.6	$2,197.8	13.8%	6.8%
Genomic and Esoteric	1,396.3	1,243.2	1,129.8	12.3%	10.0%
Total	$4,068.2	$3,590.8	$3,327.6	13.3%	7.9%

Number of Accessions

	Years Ended December 31,			% Change	
	2007	2006	2005	2007	2006
Volume					
Routine Testing	85.4	76.7	74.8	11.3%	2.6%
Genomic and Esoteric	21.9	18.8	17.3	16.5%	8.6%
Total	107.3	95.5	92.1	12.3%	3.7%

Price Per Accession ("PPA")

	Years Ended December 31,			% Change	
	2007	2006	2005	2007	2006
Price					
Routine Testing	$31.29	$30.60	$29.38	2.3%	4.1%
Genomic and Esoteric	$63.76	$66.14	$65.26	(3.6)%	1.3%
Total	$37.92	$37.59	$36.12	0.9%	4.1%

The increase in net sales for the three years ended December 31, 2007 has been driven primarily by volume growth in the Company's Managed Care business, the impact of acquisitions and the Company's continued shift in test mix to higher priced genomic and esoteric tests. As a percentage of total net sales, Managed Care revenue has increased during the three year period ended December 31, 2007 from 40.2% in 2005 to 46.1% in 2007. The acquisitions of US Labs and Esoterix in 2005 have helped to build on the Company's leadership position in the genomic and esoteric market, which accounted for 34.3%, 34.6% and 34.0% of total net sales in 2007, 2006 and 2005, respectively.

Cost of Sales

	Years Ended December 31,			% Change	
	2007	2006	2005	2007	2006
Cost of sales	$ 2,377.0	$ 2,061.4	$ 1,937.3	15.3%	6.4%
Cost of sales as a % of sales	58.4%	57.4%	58.2%		

Cost of sales, which includes primarily laboratory and distribution costs, has increased over the three year period ended December 31, 2007 primarily due to increased volume in the Company's Managed Care business, the impact of acquisitions and the continued shift in test mix to higher cost genomic and esoteric testing. As a percentage of sales, cost of sales has increased during the three year period ended December 31, 2007 from 58.2% in 2005 to 58.4% in 2007. The increase in cost of sales was driven by the Company's roll-out of patient service centers and other customer service infrastructure, along with increases in cost of materials due to shifts in the Company's test mix, coupled with providing new clients with specimen collection supplies. Labor and testing supplies comprise over 75% of the Company's cost of sales.

Selling, General and Administrative Expenses

	Years Ended December 31,			% Change	
	2007	2006	2005	2007	2006
Selling, general and administrative expenses	$808.7	$779.1	$703.9	3.8%	10.7%
SG&A as a % of sales	19.9%	21.7%	21.2%		

Total selling, general and administrative expenses ("SG&A") as a percentage of sales have decreased over the three year period ended December 31, 2007. The Company has reduced its bad debt expense rate over the three year period from 5.4% in 2005 to 4.8% in 2007. The decrease in the bad debt expense rate is the result of improved billing and collection performance. Other SG&A expenses increased in 2006 due to the Company's adoption of SFAS 123(R) during the first quarter of 2006, which required the Company to record compensation expense of $23.3 related to its stock option and stock purchase plans. During the second half of fiscal year 2006, the Company recorded charges of approximately $12.4, primarily related to the acceleration of the recognition of stock compensation due to the retirement of the Company's Chief Executive Officer, which was effective December 31, 2006.

Amortization of Intangibles and Other Assets

	Years Ended December 31,			% Change	
	2007	2006	2005	2007	2006
Amortization of intangibles and other assets	$54.9	$52.2	$51.4	5.2%	1.6%

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The increase in amortization of intangibles and other assets is driven primarily by the impact of acquisitions and licensed technology.

Investment Loss

	Years Ended December 31,		
	2007	2006	2005
Investment loss	**$ –**	$ –	$(3.1)

During the second quarter of 2005, the Company recorded an investment loss of $3.1, related to a write-off of the value of warrants to purchase common stock of Exact Sciences Corporation ("Exact"), which were obtained as part of the Company's licensing agreement for Exact's PreGen Plus technology in 2002. The original term of the warrants expired in June 2005.

Restructuring and Other Special Charges

	Years Ended December 31,		
	2007	2006	2005
Restructuring and other special charges	**$50.6**	$1.0	$16.9

During 2007, the Company recorded charges related to reductions in work force and consolidation of redundant and underutilized facilities. For 2007, the Company recorded net restructuring charges of $50.6. Of this amount, $24.8 related to employee severance benefits for approximately 1,560 employees primarily in management, administrative, technical, service and support functions and $19.4 related to contractual obligations and other costs associated with the closure of facilities. The charges also included a write-off of approximately $6.5 of accounts receivable balances remaining on a subsidiary's billing system that was abandoned during the year and $0.9 related to settlement of a preacquisition employment liability. The Company also recorded a credit of $1.0, comprised of $0.7 of previously recorded facility costs and $0.3 of employee severance benefits.

During the third quarter of 2006, the Company recorded net restructuring charges of $1.0 relating to certain expense-reduction initiatives undertaken across the Company's corporate and divisional operations. This net charge was the result of a charge of $2.4 related to employee severance benefits for approximately 180 employees primarily in administrative and support functions, and a credit of $1.4 related to occupying a testing facility that had previously been shut down.

During the third and fourth quarters of 2005, the Company began to implement its plan related to the integration of Esoterix and US LABS operations into the Company's service delivery network. The plan is directed at reducing redundant facilities while maintaining excellent customer service. The Company recorded $11.9 of costs associated with the execution of the integration plan. The majority of these integration costs related to employee severance and contractual obligations associated with leased facilities and equipment. Of this amount, $10.1 related to employee severance benefits for approximately 700 employees, with the remainder primarily related to contractual obligations associated with leased facilities. Employee groups affected as a result of this plan included those involved in the collection and testing of specimens, as well as administrative and other support functions. The Company also recorded a special charge of $5.0 related to forgiveness of amounts owed by patients and clients as well as other costs associated with the areas of the Gulf Coast severely impacted by hurricanes Katrina and Rita.

Interest Expense

	Years Ended December 31,			% Change	
	2007	2006	2005	**2007**	2006
Interest expense	**$56.6**	$47.8	$34.4	**18.4%**	39.0%

The increase in interest expense for the year ended December 31, 2007 as compared to the year ended December 31, 2006 was driven primarily by borrowings under the five-year, $500 Term Loan Facility in October 2007. The increase in interest expense for the year ended December 31, 2006 as compared to the year ended December 31, 2005 was driven by the issuance of the 5⅝% senior notes due 2015 in December 2005.

Income from Joint Venture Partnerships

	Years Ended December 31,			% Change	
	2007	2006	2005	**2007**	2006
Income from joint venture partnerships	**$77.9**	$66.7	$58.3	**16.8%**	14.4%

Income from investments in joint venture partnerships represents the Company's ownership share in joint venture partnerships. The increase in income from these investments was driven by improvement in operational performance and favorable exchange rates. A significant portion of this income is derived from investments in Ontario and Alberta, Canada, and is earned in Canadian dollars.

Income Tax Expense

	Years Ended December 31,		
	2007	2006	2005
Income tax expense	**$325.5**	$289.3	$254.5
Income tax expense as a % of income before tax	**40.6%**	40.1%	39.7%

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The increase in the effective tax rate for the year ended December 31, 2007 as compared to the year ended December 31, 2006 was primarily the result of higher foreign related earnings. The effective tax rate for the year ended December 31, 2005 was favorably impacted by a deduction for certain dividends received in 2005.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

The Company's strong cash-generating capability and financial condition provide ready access to capital markets. The Company's principal source of liquidity is operating cash flow. This cash-generating capability is one of the Company's fundamental strengths and provides substantial financial flexibility in meeting operating, investing and financing needs. In addition, the Company has new senior unsecured credit facilities that are further discussed in "Note 12 to Consolidated Financial Statements."

Operating Activities

In 2007, the Company's operations provided $709.7 of cash, net of $32.0 in transition payments to UnitedHeathcare, reflecting the Company's solid business results. The growth in the Company's cash flow from operations primarily resulted from improved revenues. The Company continued to focus on efforts to increase cash collections from all payers, as well as on-going improvements to the claim submission processes.

During 2007, 2006 and 2005, the Company made contributions to its defined pension plan in the amounts of $0.0, $0.0 and $8.0, respectively. The Company does not expect to contribute to its defined benefit pension plan during 2008 and is not legally required to do so. See "Note 17 to the Consolidated Financial Statements" for a further discussion of the Company's pension and postretirement plans.

Investing Activities

Capital expenditures were $142.6, $115.9 and $93.6 for 2007, 2006 and 2005, respectively. The Company expects capital expenditures of approximately $120 to $140 in 2008. The Company will continue to make important investments in information technology. Such expenditures are expected to be funded by cash flow from operations as well as borrowings under the Company's revolving credit facilities as needed.

The Company remains committed to growing its business through strategic acquisitions and licensing agreements. The Company has invested a total of $593.6 over the past three years in strategic business acquisitions. These acquisitions have helped strengthen the Company's geographic presence along with expanding capabilities in the specialty testing businesses. The Company believes the acquisition market remains attractive, especially in light of recent credit market corrections, with a number of opportunities to strengthen its scientific capabilities, grow esoteric testing capabilities and increase presence in key geographic areas.

The Company has invested a total of $6.7 over the past three years in licensing new testing technologies and had $46.9 net book value of capitalized patents, licenses and technology at December 31, 2007. While the Company continues to believe its strategy of entering into licensing and technology distribution agreements with the developers of leading-edge technologies will provide future growth in revenues, there are certain risks associated with these investments. These risks include, but are not limited to, the risk that the licensed technology will not gain broad acceptance in the marketplace; or that insurance companies, managed care organizations, or Medicare and Medicaid will not approve reimbursement for these tests at a level commensurate with the costs of running the tests. Any or all of these circumstances could result in impairment in the value of the related capitalized licensing costs.

Financing Activities

On October 26, 2007, the Company entered into new senior unsecured credit facilities totaling $1,000.0. The new facilities consist of a five-year Revolving Facility in the principal amount of $500.0 and a five-year, $500.0 Term Loan Facility. On October 26, 2007, the Company borrowed $500.0 under the Term Loan Facility, and outstanding Letters of Credit totaling $110.5 were extended under the new facilities. The Company's previous revolving credit facility was terminated upon the closing of the new facilities. The balance outstanding on the Company's new Revolving Facility at December 31, 2007 was $0.0. The senior unsecured credit facilities bear interest at varying rates based upon the Company's credit rating with Standard & Poor's Ratings Services. As of December 31, 2007, the interest rates on the Term Loan Facility and the new Revolving Facility were 5.6% and 5.1%, respectively.

The new senior credit facilities contain certain debt covenants, which require that the Company maintain leverage and interest coverage ratios of 2.5 to 1.0 and 5.0 to 1.0, respectively. Both ratios are calculated in relation to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). The covenants also restrict the payment of dividends. The Company is in compliance with all covenants at December 31, 2007.

During 2007, the Company repurchased $924.2 of stock representing 13.1 million shares. As of December 31, 2007, the Company had outstanding authorization from the Board of Directors to purchase approximately $425.8 of Company common stock.

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On September 22, 2006, the Company announced that it had commenced an exchange offer related to its zero-coupon subordinated notes due 2021. In the exchange offer, the Company offered to exchange a new series of zero-coupon convertible subordinated notes due September 11, 2021 (the "New Notes") and an exchange fee of $2.50 per $1,000 aggregate principal amount at maturity for all of the outstanding zero-coupon subordinated notes due 2021 (the "Old Notes").

The purpose of the exchange offer was to exchange the Old Notes for the New Notes with certain different terms, including the addition of a net share settlement feature. The net share settlement feature requires the Company to satisfy its obligation due upon conversion to holders of the New Notes in cash for a portion of the conversion obligation equal to the accreted principal of the New Notes and in shares for the remainder of the conversion value. In addition, the New Notes provide that the Company no longer has the option to issue shares in lieu of paying cash if and when the Company repurchases the New Notes at the option of holders.

On October 23, 2006, the exchange offer expired. Following settlement of the exchange, $741.2 in aggregate principal amount at maturity of the New Notes and $2.6 in aggregate principal amount at maturity of the Old Notes were outstanding.

Credit Ratings

The Company's debt ratings of Baa3 from Moody's and BBB from Standard and Poor's contribute to its ability to access capital markets.

Contractual Cash Obligations

	Payments Due by Period				
	Total	2008	2009-2010	2011 -2012	2013 and Thereafter
Operating lease obligations	$ 296.3	$ 85.5	$108.6	$ 61.4	$ 40.8
Contingent future licensing payments [a]	55.0	4.7	3.8	17.6	28.9
Minimum royalty payments	28.6	6.4	12.4	4.8	5.0
Minimum purchase obligations	30.0	10.0	20.0	–	–
Zero-coupon subordinated notes [b]	564.4	564.4	–	–	–
Scheduled interest payments on Senior Notes	218.4	33.3	66.6	66.6	51.9
Term loan	500.0	25.0	100.0	375.0	–
Long-term debt, other than term loan	602.6	0.9	0.9	0.8	600.0
Total contractual cash obligations [c][d][e]	$2,295.3	$730.2	$312.3	$526.2	$726.6

(a) Contingent future licensing payments will be made if certain events take place, such as the launch of a specific test, the transfer of certain technology, and when specified revenue milestones are met.

(b) Holders of the zero-coupon subordinated notes may require the Company to purchase in cash all or a portion of their notes on September 11, 2011 at $819.54 per note ($741.2 in the aggregate). Should the holders put the notes to the Company on that date, the Company believes that it will be able to satisfy this contingent obligation with cash on hand, borrowings on the revolving credit facility, and additional financing if necessary. As announced by the Company on January 4, 2008, holders of the zero-coupon subordinated notes may choose to convert their notes subject to terms as defined in the note agreement. See "Note 12 to Consolidated Financial Statements" for further information regarding the Company's zero-coupon subordinated notes.

(c) The table does not include obligations under the Company's pension and postretirement benefit plans, which are included in "Note 17 to Consolidated Financial Statements." Benefits under the Company's postretirement medical plan are made when claims are submitted for payment, the timing of which are not practicable to estimate.

(d) The table does not include the Company's contingent obligation to reimburse up to $200.0 in transition costs during the first three years of the UnitedHealthcare contract.

(e) The table does not include the Company's reserves for unrecognized tax benefits. The Company had a $66.5 and $56.8 reserve for unrecognized tax benefits, including interest and penalties, at December 31, 2007 and January 1, 2007, respectively, which is included in "Note 14 to Consolidated Financial Statements." Substantially all of these tax reserves are classified in other long-term liabilities in the Company's Consolidated Balance Sheet at December 31, 2007.

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Off-Balance Sheet Arrangements

The Company does not have transactions or relationships with "special purpose" entities, and the Company does not have any off balance sheet financing other than normal operating leases.

Other Commercial Commitments

At December 31, 2007, the Company provided letters of credit aggregating approximately $104.8, primarily in connection with certain insurance programs and contractual guarantees on obligations under the Company's contract with UnitedHealthcare. The UnitedHealthcare contract requires that the Company provide a $50.0 letter of credit, as security for the Company's contingent obligation to reimburse up to $200.0 in transition costs during the first three years of the contract. Letters of credit provided by the Company are secured by the Company's senior credit facilities and are renewed annually, around mid-year.

At December 31, 2007, the Company was a guarantor on approximately $6.4 of equipment leases. These leases were entered into by a joint venture in which the Company owns a fifty percent interest and have a remaining term of approximately four years.

Based on current and projected levels of operations, coupled with availability under its senior credit facilities, the Company believes it has sufficient liquidity to meet both its short-term and long-term cash needs; however, the Company continually reassesses its liquidity position in light of market conditions and other relevant factors.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" ("SFAS 157"). SFAS 157 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB decided to issue a final Staff Position to allow a one-year deferral of adoption of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The FASB also decided to amend SFAS 157 to exclude FASB Statement No. 13 and its related interpretative accounting pronouncements that address leasing transactions. The Company is currently assessing the impact, if any, of SFAS 157 on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Items eligible for this measurement include: employer and plan obligations for pension benefits, other postretirement benefits, employee stock options, and stock purchase plans. The Company must report unrealized gains or losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This Statement is effective for the Company as of January 1, 2008. The Company is currently assessing the impact, if any, of SFAS 159 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 151." ("SFAS 160"). SFAS 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. Its intention is to eliminate the diversity in practice regarding the accounting for transactions between an entity and noncontrolling interests. This Statement is effective for the Company as of January 1, 2009. Earlier adoption is prohibited. The Company is currently assessing the impact, if any, of SFAS 160 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), a revised version of SFAS No. 141,"Business Combinations." The revision is intended to simplify existing guidance and converge rulemaking under U.S. generally accepted accounting principles ("GAAP") with international accouting rules. This statement applies prospectively to business combinations where the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The new standard also converges financial reporting under U.S. GAAP with international accounting rules. The Company is currently assessing the impact, if any, of SFAS 141(R) on its consolidated financial statements.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. While management believes these estimates are reasonable and consistent, they are by their very

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nature, estimates of amounts that will depend on future events. Accordingly, actual results could differ from these estimates. The Company's Audit Committee periodically reviews the Company's significant accounting policies. The Company's critical accounting policies arise in conjunction with the following:

- Revenue recognition and allowances for doubtful accounts;
- Pension expense;
- Accruals for self insurance reserves; and
- Income taxes

Revenue Recognition and Allowance for Doubtful Accounts

Revenue is recognized for services rendered when the testing process is complete and test results are reported to the ordering physician. The Company's sales are generally billed to three types of payers – clients, patients and third parties, such as managed care companies, Medicare and Medicaid. For clients, sales are recorded on a fee-for-service basis at the Company's client list price, less any negotiated discount. Patient sales are recorded at the Company's patient fee schedule, net of any discounts negotiated with physicians on behalf of their patients. The Company bills third-party payers in two ways – fee-for-service and capitated agreements. Fee-for-service third-party payers are billed at the Company's patient fee schedule amount, and third-party revenue is recorded net of contractual discounts. These discounts are recorded at the transaction level at the time of sale based on a fee schedule that is maintained for each third-party payer. The majority of the Company's third-party sales are recorded using an actual or contracted fee schedule at the time of sale. For the remaining third-party sales, estimated fee schedules are maintained for each payer. Adjustments to the estimated payment amounts are recorded at the time of final collection and settlement of each transaction as an adjustment to revenue. These adjustments are not material to the Company's results of operations in any period presented. The Company periodically adjusts these estimated fee schedules based upon historical payment trends. Under capitated agreements with managed care companies, the Company recognizes revenue based on a negotiated monthly contractual rate for each member of the managed care plan regardless of the number or costs of services performed.

The Company has a formal process to estimate and review the collectibility of its receivables based on the period of time they have been outstanding. Bad debt expense is recorded within selling, general and administrative expenses as a percentage of sales considered necessary to maintain the allowance for doubtful accounts at an appropriate level. The Company's process for determining the appropriate level of the allowance for doubtful accounts involves judgment, and considers such factors as the age of the underlying receivables, historical and projected collection experience, and other external factors that could affect the collectibility of its receivables. Accounts are written off against the allowance for doubtful accounts based on the Company's write-off policy (e.g., when they are deemed to be uncollectible). In the determination of the appropriate level of the allowance, accounts are progressively reserved based on the historical timing of cash collections relative to their respective aging categories within the Company's receivables. These collection and reserve processes, along with the close monitoring of the billing process, help reduce the risks of material revisions to reserve estimates resulting from adverse changes in collection or reimbursement experience. The following table presents the percentage of the Company's net accounts receivable outstanding by aging category at December 31, 2007 and 2006:

Days Outstanding	2007	2006
0 – 30	42.4%	44.9%
31 – 61	22.2%	19.3%
61 – 91	10.5%	11.2%
91 – 120	7.6%	7.3%
121 – 150	5.4%	5.2%
151 – 180	3.6%	3.6%
181 – 270	6.8%	6.6%
271 – 360	1.2%	1.6%
Over 360	0.3%	0.3%

Pension Expense

Substantially all employees of the Company are covered by a defined benefit retirement plan (the "Company Plan"). The benefits to be paid under the Company Plan are based on years of credited service and compensation earned while an employee of LabCorp. The Company also has a nonqualified supplemental retirement plan which covers its senior management group and provides for additional benefits, due in part to limitations on benefits and pay imposed on the Company Plan under the Employee Retirement Income Security Act of 1974.

The Company's net pension cost is developed from actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets, which are updated on an annual basis at the beginning of each year. The Company is required to consider current market conditions, including changes in interest rates, in making these assumptions. Changes in pension costs may occur in the future due to changes in these assumptions. The key assumptions used in accounting for the defined benefit retirement plans were a 6.1% discount rate and an 8.5% expected long-term rate of return on plan assets as of December 31, 2007.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)

Discount Rate

The Company uses a laddered bond portfolio model to develop a discount rate assumption used to value the benefit obligations of its retirement plans. The Company follows paragraph 186 of Financial Accounting Standard 106 in developing this rate. The Company obtains information on high-quality corporate (AA rating or higher) bonds from a nationally recognized credit rating agency with maturities that match the anticipated cash outflows of each plan. These bonds are then reviewed and outliers are discarded. The results of this analysis form the basis for the discount rate assumption used by the Company. A one percentage point reduction in the discount rate would have resulted in an increase in 2007 retirement plan expense of $4.6 million.

Return on Plan Assets

In establishing its expected return on plan assets assumption, the Company reviews its asset allocation and develops return assumptions based on different asset classes adjusting for plan operating expenses. Actual asset over/under performance compared to expected returns will respectively decrease/increase unrecognized loss. The change in the unrecognized loss will change amortization cost in upcoming periods. A one percentage point increase in the expected return on plan assets would have resulted in a decrease in 2007 pension expense of $2.7 million.

Current year net pension cost was $14.5 million, as compared with $14.6 in the prior year excluding the impact of the $0.7 million non-recurring CEO retirement charge in 2006. The Company estimates that 2008 net pension cost will be approximately $17.8 million.

Further information on the Company's defined benefit retirement plan is provided in Note 17 to the consolidated financial statements.

Accruals for Self-Insurance Reserves

Accruals for self-insurance reserves (including workers' compensation, auto and employee medical) are determined based on historical payment trends and claims history, along with current and estimated future economic conditions.

The Company is self-insured for professional liability claims arising in the normal course of business, generally related to the testing and reporting of laboratory test results. The Company records an accrual for known and incurred but not reported claims based on an actuarial assessment of the accrual driven by frequency and amounts of claims, which is performed at least annually.

Income Taxes

The Company accounts for income taxes utilizing the asset and liability method. Under this method deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company does not recognize a tax benefit, unless the Company concludes that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, the Company recognizes a tax benefit measured at the largest amount of the tax benefit that the Company believes is greater than 50 percent likely to be realized. The Company records interest and penalties in income tax expense.

FORWARD-LOOKING STATEMENTS

The Company has made in this report, and from time to time may otherwise make in its public filings, press releases and discussions by Company management, forward-looking statements concerning the Company's operations, performance and financial condition, as well as its strategic objectives. Some of these forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "approximately", "intends," "plans," "estimates," or "anticipates" or the negative of those words or other comparable terminology. Such forward-looking statements are subject to various risks and uncertainties and the Company claims the protection afforded by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those currently anticipated due to a number of factors in addition to those discussed elsewhere herein and in the Company's other public filings, press releases and discussions with Company management, including:

1) changes in federal, state, local and third-party payer regulations or policies (or in the interpretation of current regulations) affecting governmental and third-party coverage or reimbursement for clinical laboratory testing;

Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)

2) adverse results from investigations of clinical laboratories by the government, which may include significant monetary damages and/or exclusion from the Medicare and Medicaid programs;

3) loss or suspension of a license or imposition of a fine or penalties under, or future changes in, or interpretations of, the law or regulations of the Clinical Laboratory Improvement Act of 1967, and the Clinical Laboratory Improvement Amendments of 1988, or those of Medicare, Medicaid, the False Claims Act or other federal, state or local agencies;

4) failure to comply with the Federal Occupational Safety and Health Administration requirements and the Needlestick Safety and Prevention Act, which may result in penalties and loss of licensure;

5) failure to comply with HIPAA, including the failure to meet new NPI requirements, which could result in denial of claims and/or significant fines;

6) failure of third-party payers to complete testing with the Company, or accept or remit transactions in HIPAA-required standard transaction and code set format (including a National Provider Identifier), could result in an interruption in the Company's cash flow;

7) increased competition, including competition from companies that do not comply with existing laws or regulations or otherwise disregard compliance standards in the industry;

8) increased price competition, competitive bidding for laboratory tests and/or changes or reductions to fee schedules;

9) changes in payer mix, including an increase in capitated managed-cost health care or the impact of a shift to consumer-driven health plans;

10) failure to obtain and retain new customers and alliance partners, or a reduction in tests ordered or specimens submitted by existing customers;

11) failure to retain or attract managed care business as a result of changes in business models, including new risk based or network approaches, or other changes in strategy or business models by managed care companies;

12) failure to effectively manage newly acquired businesses and the cost related to such integration;

13) adverse results in litigation matters;

14) inability to attract and retain experienced and qualified personnel;

15) failure to maintain the Company's days sales outstanding levels;

16) decrease in credit ratings by Standard & Poor's and/or Moody's;

17) failure to develop or acquire licenses for new or improved technologies, or if customers use new technologies to perform their own tests;

18) inability to commercialize newly licensed tests or technologies or to obtain appropriate coverage or reimbursement for such tests, which could result in impairment in the value of certain capitalized licensing costs;

19) inability to obtain and maintain adequate patent and other proprietary rights for protection of the Company's products and services and successfully enforce the Company's proprietary rights;

20) the scope, validity and enforceability of patents and other proprietary rights held by third parties which might have an impact on the Company's ability to develop, perform, or market the Company's tests or operate its business;

21) failure in the Company's information technology systems resulting in an increase in testing turnaround time or billing processes or the failure to meet future regulatory or customer information technology and connectivity requirements;

22) failure of the Company's financial information systems resulting in failure to meet required financial reporting deadlines;

23) failure of the Company's disaster recovery plans to provide adequate protection against the interruption of business and/or to permit the recovery of business operations;

24) business interruption or other impact on the business due to adverse weather (including hurricanes), fires and/or other natural disasters and terrorism or other criminal acts;

25) liabilities that result from the inability to comply with new corporate governance requirements; and

26) significant deterioration in the economy could negatively impact the Company's testing volumes, cash collections and the availability of credit.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company addresses its exposure to market risks, principally the market risk associated with changes in interest rates, through a controlled program of risk management that has included in the past, the use of derivative financial instruments such as interest rate swap agreements. Although, as set forth below, the Company's zero-coupon subordinated notes contain features that are considered to be embedded derivative instruments, the Company does not hold or issue derivative financial instruments for trading purposes. The Company does not believe that its exposure to market risk is material to the Company's financial position or results of operations.

The Company's zero-coupon subordinated notes contain the following two features that are considered to be embedded derivative instruments under SFAS No. 133 "Accouting for Derivative Instruments and Hedging Activities":

1) The Company will pay contingent cash interest on the zero-coupon subordinated notes after September 11, 2006, if the average market price of the notes equals 120% or more of the sum of the issue price, accrued original issue discount and contingent additional principal, if any, for a specified measurement period.

2) Holders may surrender zero-coupon subordinated notes for conversion during any period in which the rating assigned to the zero-coupon subordinated notes by Standard & Poor's Ratings Services is BB- or lower.

The Company believes these embedded derivatives had no fair value at December 31, 2007.

Borrowings under the Company's revolving credit facility are subject to variable interest rates, unless fixed through interest rate swaps or other agreements.

Two of the Company's joint venture partnerships operate in Canada and remit the Company's share of partnership income in Canadian Dollars. Accordingly, the cash flow received from these affiliates is subject to a certain amount of foreign currency exchange risk.

Laboratory Corporation of America

Report of Management on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934).

The internal control over financial reporting at the Company was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting include those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. Management based this assessment on criteria for effective internal control over financial reporting described in "*Internal Control – Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, the Company's management determined that, as of December 31, 2007, the Company maintained effective internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the Company's Board of Directors.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, who audited and reported on the consolidated financial statements of the Company included in this annual report, has also audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 as stated in its report, which is included herein immediately preceding the Company's audited financial statements.

Laboratory Corporation of America

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Laboratory Corporation of America Holdings:

In our opinion, the consolidated balance sheets and the related consolidated statements of operations, changes in shareholders' equity, and cash flows present fairly, in all material respects, the financial position of Laboratory Corporation of America Holdings and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Managements' Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 14 to the consolidated financial statements, the Company changed the manner in which it accounts for uncertain tax positions in 2007.

As discussed in Note 15 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

As discussed in Note 17 to the consolidated financial statements, the Company changed the manner in which it accounts for defined benefit and other postretirement plans as of December 31, 2006.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Greensboro, North Carolina

February 25, 2008

Laboratory Corporation of America
Consolidated Balance Sheets

(in millions)	December 31, 2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 56.4	$ 51.5
Short-term investments	109.9	135.4
Accounts receivable, net	623.2	541.3
Supplies inventories	80.4	84.3
Prepaid expenses and other	67.6	53.2
Deferred income taxes	–	21.3
Total current assets	937.5	887.0
Property, plant and equipment, net	439.2	393.2
Goodwill, net	1,639.5	1,484.0
Intangible assets, net	613.4	610.2
Investments in joint venture partnerships	683.0	577.9
Other assets, net	55.6	48.5
Total assets	$ 4,368.2	$ 4,000.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 134.2	$ 133.5
Accrued expenses and other	239.6	243.0
Deferred income taxes	4.6	–
Short-term borrowings and current portion of long-term debt	589.5	554.4
Total current liabilities	967.9	930.9
Long-term debt, less current portion	1,077.5	603.0
Deferred income taxes and other tax liabilities	506.8	409.2
Other liabilities	90.7	80.6
Total liabilities	2,642.9	2,023.7
Commitments and contingent liabilities	–	–
Shareholders' equity:		
Common stock, 111.0 and 122.2 shares outstanding at December 31, 2007 and December 31, 2006, respectively	13.2	14.4
Additional paid-in capital	245.5	1,027.7
Retained earnings	2,243.7	1,767.9
Less common stock held in treasury	(897.1)	(891.6)
Accumulated other comprehensive earnings	120.0	58.7
Total shareholders' equity	1,725.3	1,977.1
Total liabilities and shareholders' equity	$ 4,368.2	$ 4,000.8

The accompanying notes are an integral part of these consolidated financial statements.

Laboratory Corporation of America

Consolidated Statements of Operations

(in millions, except per share data)	Years Ended December 31, 2007	2006	2005
Net sales	$4,068.2	$3,590.8	$3,327.6
Cost of sales	2,377.0	2,061.4	1,937.3
Gross profit	1,691.2	1,529.4	1,390.3
Selling, general and administrative expenses	808.7	779.1	703.9
Amortization of intangibles and other assets	54.9	52.2	51.4
Restructuring and other special charges	50.6	1.0	16.9
Operating income	777.0	697.1	618.1
Other income (expenses):			
Investment loss	–	–	(3.1)
Interest expense	(56.6)	(47.8)	(34.4)
Income from joint venture partnerships, net	77.9	66.7	58.3
Investment income	5.4	7.7	1.8
Other, net	(1.4)	(2.8)	–
Earnings before income taxes	802.3	720.9	640.7
Provision for income taxes	325.5	289.3	254.5
Net earnings	$ 476.8	$ 431.6	$ 386.2
Basic earnings per common share	$ 4.08	$ 3.48	$ 2.89
Diluted earnings per common share	$ 3.93	$ 3.24	$ 2.71

The accompanying notes are an integral part of these consolidated financial statements.

Laboratory Corporation of America

Consolidated Statements of Changes in Shareholders' Equity

(in millions)	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Earnings	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2004	$ 15.1	$1,504.1	$ 950.1	$(544.2)	$(7.5)	$ 81.7	$1,999.3
Comprehensive earnings:							
Net earnings	–	–	386.2	–	–	–	386.2
Other comprehensive earnings:							
Foreign currency translation adjustments	–	–	–	–	–	14.3	14.3
Tax effect of other comprehensive earnings adjustments	–	–	–	–	–	(5.7)	(5.7)
Comprehensive earnings							394.8
Issuance of common stock under employee stock plans	0.2	62.3	–	–	–	–	62.5
Issuance of restricted stock awards	–	7.3	–	–	(7.3)	–	–
Surrender of restricted stock awards	–	–	–	(7.3)	–	–	(7.3)
Cancellation of restricted stock awards	–	(0.3)	–	–	0.3	–	–
Stock compensation	–	6.1	–	–	7.6	–	13.7
Income tax benefit from stock options exercised	–	11.9	–	–	–	–	11.9
Retirement of common stock	(0.5)	(251.7)	–	–	–	–	(252.2)
Purchase of common stock	–	–	–	(337.0)	–	–	(337.0)
BALANCE AT DECEMBER 31, 2005	$ 14.8	$1,339.7	$1,336.3	$(888.5)	$(6.9)	$ 90.3	$1,885.7
Comprehensive earnings:							
Net earnings	–	–	431.6	–	–	–	431.6
Other comprehensive earnings:							
Foreign currency translation adjustments	–	–	–	–	–	(1.1)	(1.1)
Tax effect of other comprehensive loss adjustments	–	–	–	–	–	0.4	0.4
Comprehensive earnings							430.9
Adoption of FASB Statement No. 158, net of tax	–	–	–	–	–	(30.9)	(30.9)
Issuance of common stock under employee stock plans	0.2	91.8	–	–	–	–	92.0
Surrender of restricted stock awards	–	–	–	(3.1)	–	–	(3.1)
Reversal of unamortized deferred compensation balance	–	(6.9)	–	–	6.9	–	–
Stock compensation	–	52.7	–	–	–	–	52.7
Income tax benefit from stock options exercised	–	11.3	–	–	–	–	11.3
Purchase of common stock	(0.6)	(460.9)	–	–	–	–	(461.5)
BALANCE AT DECEMBER 31, 2006	$ 14.4	$1,027.7	$1,767.9	$(891.6)	$ –	$ 58.7	$1,977.1
Comprehensive earnings:							
Net earnings	–	–	476.8	–	–	–	476.8
Other comprehensive earnings:							
Foreign currency translation adjustments	–	–	–	–	–	96.9	96.9
Net benefit plan adjustments	–	–	–	–	–	4.0	4.0
Tax effect of other comprehensive earnings adjustments	–	–	–	–	–	(39.6)	(39.6)
Comprehensive earnings							538.1
Issuance of common stock under employee stock plans	0.1	77.5	–	–	–	–	77.6
Surrender of restricted stock awards	–	–	–	(5.5)	–	–	(5.5)
Adoption of FIN 48	–	0.5	(1.0)	–	–	–	(0.5)
Conversion of zero-coupon convertible debt	–	0.7	–	–	–	–	0.7
Stock compensation	–	35.4	–	–	–	–	35.4
Income tax benefit from stock options exercised	–	26.6	–	–	–	–	26.6
Purchase of common stock	(1.3)	(922.9)	–	–	–	–	(924.2)
BALANCE AT DECEMBER 31, 2007	$ 13.2	$ 245.5	$2,243.7	$(897.1)	$ –	$120.0	$1,725.3

The accompanying notes are an integral part of these consolidated financial statements.

Laboratory Corporation of America

Consolidated Statements of Cash Flows

(in millions)	Years Ended December 31, 2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 476.8	$ 431.6	$ 386.2
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	162.8	155.0	149.8
Stock compensation	35.4	52.7	13.7
Loss on sale of assets	0.2	0.8	0.2
Investment loss	–	–	3.1
Accreted interest on zero-coupon subordinated notes	11.1	10.9	10.7
Cumulative earnings in excess of distribution from joint venture partnerships	(8.6)	(1.0)	(11.3)
Deferred income taxes	26.5	36.7	18.5
Change in assets and liabilities (net of effects of acquisitions):			
Increase in accounts receivable (net)	(78.7)	(47.9)	(15.0)
Decrease (increase) in inventories	4.8	(18.8)	0.1
Increase in prepaid expenses and other	(16.3)	(16.0)	(5.8)
Increase (decrease) in accounts payable	33.9	(17.6)	24.1
Increase (decrease) in accrued expenses and other	61.8	45.9	(0.1)
Net cash provided by operating activities	709.7	632.3	574.2
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(142.6)	(115.9)	(93.6)
Proceeds from sale of assets	1.4	0.9	1.5
Deferred payments on acquisitions	(2.8)	(4.0)	(7.3)
Purchases of short-term investments	(1,777.9)	(1,589.7)	(987.8)
Proceeds from sale of short-term investments	1,803.4	1,472.0	1,129.3
Acquisition of licensing technology	(0.7)	(0.6)	(5.4)
Acquisition of businesses, net of cash acquired	(222.3)	(36.0)	(335.3)
Net cash used for investing activities	(341.5)	(273.3)	(298.6)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from term loan	500.0	–	–
Proceeds from credit facilities	240.0	95.0	385.0
Payments on credit facilities	(240.0)	(95.0)	(385.0)
Proceeds from senior note offering	–	–	250.0
Bank overdraft	(34.9)	34.9	–
Payments on other long-term debt	(0.1)	(1.2)	(0.6)
Payment of debt issuance costs	(5.8)	–	(2.4)
Payments on long-term lease obligations	–	(1.8)	(2.6)
Excess tax benefits from stock based compensation	20.7	9.1	–
Purchase of common stock	(921.2)	(476.5)	(583.7)
Net proceeds from issuance of stock to employees	77.6	82.0	62.1
Net cash used for financing activities	(363.7)	(353.5)	(277.2)
Effect of exchange rate changes on cash and cash equivalents	0.4	0.6	(0.6)
Net increase (decrease) in cash and cash equivalents	4.9	6.1	(2.2)
Cash and cash equivalents at beginning of year	51.5	45.4	47.6
Cash and cash equivalents at end of year	$ 56.4	$ 51.5	$ 45.4

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

(Dollars and shares in millions, except per share data)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

Laboratory Corporation of America Holdings with its subsidiaries (the "Company") is the second largest independent clinical laboratory company in the United States based on 2007 net revenues. Through a national network of laboratories, the Company offers a broad range of testing services used by the medical profession in routine testing, patient diagnosis, and in the monitoring and treatment of disease. In addition, the Company has developed specialty and niche businesses based on certain types of specialized testing capabilities and client requirements, such as oncology testing, HIV genotyping and phenotyping, diagnostic genetics and clinical research trials.

Since its founding in 1971, the Company has grown into a network of 37 primary laboratories and over 1,600 patient service centers along with a network of branches and STAT laboratories. With over 26,000 employees, the Company processes tests on more than 420,000 patient specimens daily and provides clinical laboratory testing services in all 50 states, the District of Columbia, Puerto Rico, Belgium and three provinces in Canada. The Company operates in one business segment.

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries for which it exercises control. Long-term investments in affiliated companies in which the Company owns greater than 20%, and therefore exercises significant influence, but which it does not control, are accounted for using the equity method. Investments in which the Company does not exercise significant influence (generally, when the Company has an investment of less than 20% and no representation on the investee's board of directors) are accounted for using the cost method. All significant inter-company transactions and accounts have been eliminated. The Company does not have any variable interest entities or special purpose entities whose financial results are not included in the consolidated financial statements.

The Company has a cash management system under which a cash overdraft exists for uncleared checks in the Company's primary disbursement accounts. The cash amount in the accompanying financial statements represents book balances excluding the effect of the uncleared checks. As of December 31, 2007 and 2006, accounts payable includes uncleared checks of $0.0 and $34.9, respectively.

The financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities are translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average monthly exchange rates prevailing during the year. Resulting translation adjustments are included in "Accumulated other comprehensive earnings."

Revenue Recognition

Sales are recognized on the accrual basis at the time test results are reported, which approximates when services are provided. Services are provided to certain patients covered by various third-party payer programs including various managed care organizations, as well as the Medicare and Medicaid programs. Billings for services under third party payer programs are included in sales net of allowances for contractual discounts and allowances for differences between the amounts billed and estimated program payment amounts. Adjustments to the estimated payment amounts based on final settlement with the programs are recorded upon settlement as an adjustment to revenue. In 2007, 2006 and 2005, approximately 18.3%, 19.9% and 20.3%, respectively, of the Company's revenues were derived directly from the Medicare and Medicaid programs. The Company has capitated agreements with certain managed care customers and recognizes related revenue based on a predetermined monthly contractual rate for each member of the managed care plan regardless of the number or cost of services provided by the Company. In 2007, 2006 and 2005, approximately 4% of the Company's revenues were derived from such capitated agreements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates include the allowances for doubtful accounts, deferred tax assets, fair values and amortization lives for intangible assets and accruals for self-insurance reserves and pensions. The allowance for doubtful accounts is determined based on historical collection trends, the aging of accounts, current economic conditions and regulatory changes. Actual results could differ from those estimates.

Concentration of Credit Risk

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

The Company maintains cash and cash equivalents with various major financial institutions. The total cash balances on deposit that

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(Dollars and shares in millions, except per share data)

exceeded the balances insured by the F.D.I.C., were approximately $26.5 at December 31, 2007. Cash equivalents at December 31, 2007, totaled $37.2, which includes amounts invested in treasury bills and short-term bonds.

Substantially all of the Company's accounts receivable are with companies in the health care industry and individuals. However, concentrations of credit risk are limited due to the number of the Company's clients as well as their dispersion across many different geographic regions.

Accounts receivable balances (gross) from Medicare and Medicaid were $104.0 and $99.3 at December 31, 2007 and 2006, respectively.

Earnings Per Share

Basic earnings per share is computed by dividing net earnings, less preferred stock dividends and accretion, by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net earnings including the impact of dilutive adjustments by the weighted average number of common shares outstanding plus potentially dilutive shares, as if they had been issued at the beginning of the period presented. Potentially dilutive common shares result primarily from the Company's outstanding stock options, restricted stock awards, performance share awards, and shares issuable upon conversion of zero-coupon subordinated notes.

The following represents a reconciliation of basic earnings per share to diluted earnings per share:

	2007			2006			2005		
(shares in millions)	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic earnings per share:	$476.8	116.8	$4.08	$431.6	124.1	$3.48	$386.2	133.5	$2.89
Stock options	–	1.2		–	1.3		–	1.0	
Restricted stock awards and other	–	0.8		–	0.7		–	0.4	
Effect of convertible debt, net of tax	–	2.5		5.3	8.6		6.5	10.0	
Diluted earnings per share:	$476.8	121.3	$3.93	$436.9	134.7	$3.24	$392.7	144.9	$2.71

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

	Years Ended December 31,		
	2007	2006	2005
Stock options	1.2	1.1	–

Stock Compensation Plans

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment ("SFAS 123(R)"), which requires the Company to measure the cost of employee services received in exchange for all equity awards granted, based on the fair market value of the award as of the grant date. SFAS 123(R) supersedes Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation and Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"). The Company adopted SFAS 123(R) using the modified prospective application method of adoption which required the Company to record compensation cost related to unvested stock awards as of December 31, 2005 by recognizing the unamortized grant date fair value of these awards over the remaining service periods of those awards with no change in historical reported earnings. Awards granted after December 31, 2005 are valued at fair value in accordance with provisions of SFAS 123(R) and recognized on a straight line basis over the service periods of each award. The Company calculated forfeiture rates for 2007 and 2006 based on its historical experience.

Prior to 2006, the Company accounted for stock-based compensation in accordance with APB 25 using the intrinsic value method, which did not require that compensation cost be recognized for the Company's stock option and stock purchase plans provided the option exercise price was established at the common stock fair market value on the date of grant. Under APB 25, the Company was required to record expense over the vesting period for the value of its restricted stock and performance share awards. Prior to 2006, the Company provided pro forma disclosure amounts in accordance with SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" (SFAS No. 148), as if the fair value method defined by SFAS No. 123 had been applied to all of its stock-based compensation.

As a result of adopting SFAS 123(R), the Company's net earnings were reduced by $13.9 ($23.3 on a pre-tax basis) in 2006. The impact on both basic and diluted earnings per share for the year ended

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December 31, 2006 was $0.11 per share. In addition, in connection with the adoption of SFAS 123R, net cash provided by operating activities decreased and net cash provided by financing activities increased for the year ended December 31, 2006 by $9.1 related to excess tax benefits from stock-based compensation arrangements.

During the second half of 2006, the Company recorded charges of approximately $11.6, related to the acceleration of the recognition of stock compensation due to the retirement of the Company's Chief Executive Officer, effective December 31, 2006.

The following tables summarize the components of the Company's stock-based compensation programs recorded as expense for the years ended December 31, 2007, 2006, and 2005:

	2007			2006			2005		
	Pre-Tax Expense	Tax Benefit	Net	Pre-Tax Expense	Tax Benefit	Net	Pre-Tax Expense	Tax Benefit	Net
Stock option and stock purchase plans	$18.0	$ (7.2)	$10.8	$23.3	$ (9.4)	$13.9	$ –	$ –	$ –
Restricted stock and performance share awards	17.4	(7.0)	10.4	17.7	(7.1)	10.6	13.7	(5.5)	8.2
CEO retirement charge	–	–	–	11.6	(4.6)	7.0	–	–	–
Total share based compensation	$35.4	$(14.2)	$21.2	$52.7	$(21.1)	$31.6	$13.7	$(5.5)	$8.2

The following table shows the pro forma net income for the year ended December 31, 2005 as if the fair value based method had been applied to all awards:

	2005
Net earnings, as reported	$386.2
Add: Stock-based compensation recorded as expense, net of related tax effects	8.2
Deduct: Total stock-based compensation determined under fair value method for all awards, net of related tax effects	(24.8)
Pro forma net income	$369.6
Basic earnings per common share	
As reported	$ 2.89
Pro forma	2.77
Diluted earnings per common share	
As reported	$ 2.71
Pro forma	2.55

See note 15 for assumptions used in calculating compensation expense for the employee stock option and stock purchase plans.

Cash Equivalents

Cash equivalents (primarily investments in money market funds, time deposits, commercial paper and Eurodollars which have original maturities of three months or less at the date of purchase) are carried at cost which approximates market.

Short-Term Investments

The items classified as short-term investments are principally Auction Rate Securities ("ARS"), Variable Rate Demand Notes ("VRDN"), and U.S. Government Agency securities. The Company classifies the ARS and VRDN as available-for-sale. Securities accounted for as available-for-sale are required to be reported at fair value with unrealized gains and losses, net of taxes, excluded from net income and shown separately as a component of accumulated other comprehensive income within shareholders' equity. The securities that the Company has classified as available-for-sale generally trade at par and as a result typically do not have any realized or unrealized gains or losses. No gains or losses were realized on sales of ARS and VRDN for the years ended December 31, 2007, 2006, and 2005. As of December 31, 2007, there are no unrealized holding gains or losses on these securities. The Company had $109.9 and $135.4 of ARS and VRDN classified as short-term investments as of December 31, 2007 and 2006, respectively. All of the Company's investments in ARS and VRDN were liquidated at cost as of January 2, 2008.

The U.S. Government Agency securities with original maturities between six and twelve months are carried at cost, which approximates market. It is the intent of the Company to hold these investments until they mature or are called by the issuer.

Inventories

Inventories, consisting primarily of purchased laboratory supplies, are stated at the lower of cost (first-in, first-out) or market.

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Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The cost of properties held under capital leases is equal to the lower of the net present value of the minimum lease payments or the fair value of the leased property at the inception of the lease. Depreciation and amortization expense is computed on all classes of assets based on their estimated useful lives, as indicated below, using principally the straight line method.

	Years
Buildings and building improvements	35
Machinery and equipment	3-10
Furniture and fixtures	5-10

Leasehold improvements and assets held under capital leases are amortized over the shorter of their estimated lives or the term of the related leases. Expenditures for repairs and maintenance are charged to operations as incurred. Retirements, sales and other disposals of assets are recorded by removing the cost and accumulated depreciation from the related accounts with any resulting gain or loss reflected in operations.

Capitalized Software Costs

The Company capitalizes purchased software which is ready for service and capitalizes software development costs incurred on significant projects starting from the time that the preliminary project stage is completed and management commits to funding a project until the project is substantially complete and the software is ready for its intended use. Capitalized costs include direct material and service costs and payroll and payroll-related costs. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Capitalized software costs are amortized using the straight-line method over the estimated useful life of the underlying system, generally five years.

Long-Lived Assets

Goodwill is evaluated for impairment by applying a fair value based test on an annual basis and more frequently if events or changes in circumstances indicate that the asset might be impaired.

Long-lived assets, other than goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Recoverability of assets to be held and used is determined by the Company at the level for which there are identifiable cash flows by comparison of the carrying amount of the assets to future undiscounted net cash flows before interest expense and income taxes expected to be generated by the assets. Impairment, if any, is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets (based on market prices in an active market or on discounted cash flows). Assets to be disposed of are reported at the lower of the carrying amount or fair value.

The Company completed an annual impairment analysis of its indefinite lived assets, including goodwill, and has found no instances of impairment as of December 31, 2007.

Intangible Assets

Intangible assets (patents and technology, customer lists and non-compete agreements), are amortized on a straight-line basis over the expected periods to be benefited, such as legal life for patents and technology, 10 to 25 years for customer lists and contractual lives for non-compete agreements.

Debt Issuance Costs

The costs related to the issuance of debt are capitalized and amortized to interest expense using the effective interest method over the terms of the related debt.

Professional Liability

The Company is self-insured for professional liability claims arising in the normal course of business, generally related to the testing and reporting of laboratory test results. The Company records a reserve for such asserted and estimated unasserted claims based on actuarial assessments of future settlement and legal defense costs.

Income Taxes

The Company accounts for income taxes utilizing the asset and liability method. Under this method deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company does not recognize a tax benefit, unless the Company concludes that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, the Company recognizes a tax benefit measured at the largest amount of the tax benefit that the Company believes is greater than 50 percent likely to be realized. The Company records interest and penalties in income tax expense.

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Derivative Financial Instruments

Interest rate swap agreements, which have been used by the Company from time to time in the management of interest rate exposure, are accounted for at fair value.

The Company's zero-coupon subordinated notes contain the following two features that are considered to be embedded derivative instruments under Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities":

1) The Company will pay contingent cash interest on the zero-coupon subordinated notes after September 11, 2006, if the average market price of the notes equals 120% or more of the sum of the issue price, accrued original issue discount and contingent additional principal, if any, for a specified measurement period.

2) Holders may surrender zero-coupon subordinated notes for conversion during any period in which the rating assigned to the zero-coupon subordinated notes by Standard & Poor's Ratings Services is BB- or lower.

The Company believes these embedded derivatives had no fair value at December 31, 2007 and 2006.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, income taxes receivable, and accounts payable are considered to be representative of their respective fair values due to their short-term nature. The fair market value of the zero-coupon subordinated notes, based on market pricing, was approximately $758.8 and $729.7 as of December 31, 2007 and 2006, respectively. The fair market value of the senior notes, based on market pricing, was approximately $591.2 and $585.9 as of December 31, 2007 and 2006, respectively. As of December 31, 2007, the $500.0 book value of the Company's variable rate debt approximates fair value.

2 BUSINESS ACQUISITIONS

On February 3, 2005, the Company acquired all of the outstanding shares of US Pathology Labs, Inc. and Subsidiaries ("US LABS") for approximately $155 in cash. US LABS, based in Irvine, California, is a national, anatomic pathology reference laboratory devoted to comprehensive, high-quality, rapid-response cancer testing. The company provides diagnostic, prognostic, and predictive cancer testing services to hospitals, physician offices and surgery centers.

On May 11, 2005, the Company acquired all of the outstanding shares of Esoterix, Inc. and Subsidiaries ("Esoterix") for approximately $150 in cash. Esoterix, based in Austin, Texas, is a leading provider of specialty reference testing.

During the year ended December 31, 2007, the Company acquired various medical reference laboratories and related assets for approximately $222.3 in cash. These acquisitions were primarily done to extend the Company's geographic reach in important market areas or acquire scientific differentiation and esoteric testing capabilities.

3 CEO RETIREMENT

In July 2006, the Company announced the retirement of its Chief Executive Officer ("CEO"), Thomas P. Mac Mahon, effective December 31, 2006. During the second half of 2006, the Company recorded charges of approximately $12.3, which included $11.6 related to the acceleration of the recognition of stock compensation and $0.7 related to the acceleration of certain defined benefit plan obligations.

In July 2006, Mr. Mac Mahon entered into a consulting agreement with the Company effective January 1, 2007, following the announcement of his retirement as CEO on December 31, 2006. The agreement provides for additional services to be provided by Mr. Mac Mahon following the termination of his employment as CEO to assist the Company during a transition period. Mr. Mac Mahon will remain as Chairman of the Board. The Agreement provided for an additional five years of age for purposes of calculating pension benefits and has a term of sixteen months.

4 RESTRUCTURING AND OTHER SPECIAL CHARGES

During 2007, the Company recorded charges related to reductions in work force and consolidation of redundant and underutilized facilities. For 2007, the Company recorded net restructuring charges of $50.6. Of this amount, $24.8 related to employee severance benefits for approximately 1,560 employees primarily in management, administrative, technical, service and support functions and $19.4 related to contractual obligations and other costs associated with the closure of facilities. The charges also included a write-off of approximately $6.5 of accounts receivable balances remaining on a subsidiary's billing system that was abandoned during the year and $0.9 related to settlement of a preacquisition employment liability. The Company also recorded a credit of $1.0, comprised of $0.7 of previously recorded facility costs and $0.3 of employee severance benefits.

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During the third quarter of 2006, the Company recorded net restructuring charges of $1.0 related to certain expense-reduction initiatives undertaken across the Company's corporate and divisional operations. This net charge was the result of a charge of $2.4 related to employee severance benefits for approximately 180 employees primarily in administrative and support functions, and a credit of $1.4 related to occupying a testing facility that had previously been shut down.

During the third and fourth quarters of 2005, the Company began to implement its plan related to the integration of Esoterix and US LABS operations into the Company's service delivery network. The plan is directed at reducing redundant facilities while maintaining excellent customer service. The Company recorded $11.9 of costs associated with the execution of the integration plan. The majority of these integration costs related to employee severance and contractual obligations associated with leased facilities and equipment. Of this amount, $10.1 million related to employee severance benefits for approximately 700 employees, with the remainder primarily related to contractual obligations associated with leased facilities. Employee groups affected as a result of this plan included those involved in the collection and testing of specimens, as well as administrative and other support functions. The Company also recorded a special charge of $5.0 related to forgiveness of amounts owed by patients and clients as well as other costs associated with the areas of the Gulf Coast severely impacted by hurricanes Katrina and Rita.

5 RESTRUCTURING RESERVES

The following represents the Company's restructuring activities for the period indicated:

	Severance and Other Employee Costs	Lease and Other Facility Costs	Other	Total
Balance as of January 1, 2007	$ 0.7	$ 5.7	$0.0	$ 6.4
Net restructuring charges	25.4	18.7	6.5	50.6
Cash payments and asset write-offs	(17.0)	(5.9)	(6.5)	(29.4)
Balance as of December 31, 2007	**$ 9.1**	**$18.5**	**$0.0**	**$27.6**
Current				$15.8
Non-current				11.8
				$27.6

6 INVESTMENTS IN JOINT VENTURE PARTNERSHIPS

At December 31, 2007 the Company had investments in the following joint venture partnerships:

Location	Net Investment	Percentage Interest Owned
Milwaukee, Wisconsin	$ 11.0	50.00%
Ontario, Canada	608.2	72.99%
Alberta, Canada	63.8	43.37%

Each of the joint venture agreements that govern the conduct of business of these partnerships mandates unanimous agreement between partners on all major business decisions as well as providing other participating rights to each partner. These partnerships, including the Ontario, Canada partnership, are accounted for under the equity method of accounting, as the Company does not have control of these three partnerships, due to the participating rights afforded to all partners in each agreement. The Company has no material obligations or guarantees to, or in support of, these unconsolidated joint ventures and their operations.

Condensed unconsolidated financial information for the joint venture partnerships is shown in the following table.

	2007	2006
As of December 31:		
Current assets	$ 65.9	$ 54.6
Other assets	169.9	133.6
Total assets	$235.8	$188.2
Current liabilities	$ 29.5	$ 24.6
Other liabilities	0.1	0.6
Total liabilities	29.6	25.2
Partners' equity	206.2	163.0
Total liabilities and Partners equity	$235.8	$188.2

	2007	2006	2005
For the period January 1 – December 31:			
Net sales	$403.4	$361.7	$321.4
Gross profit	190.9	165.3	144.6
Net earnings	120.9	102.0	93.1

The Company's recorded investments in the Ontario and Alberta joint venture partnerships at December 31, 2007, include $487.7 and $54.3, respectively of value assigned to these two partnerships' Canadian licenses (with an indefinite life and deductible for tax), to conduct diagnostic testing services in their respective provinces.

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Effective January 1, 2008 the Company acquired additional partnership units in its Ontario, Canada joint venture, bringing the Company's percentage interest owned up to 85.6%. Concurrent with this acquisition, the terms of the joint venture's partnership agreement were amended. Based upon the amended terms of this agreement, the Company began including the consolidated operating results, financial position and cash flows of the Ontario, Canada joint venture in the Company's consolidated financial statements on January 1, 2008. The amended joint venture's partnership agreement also enables the minority interest to put the remaining partnership units to the Company in defined future periods, at an initial amount equal to the consideration paid by the Company in 2008, and subject to adjustment based on market value formulas contained in the agreement.

7 ACCOUNTS RECEIVABLE, NET

	December 31, 2007	December 31, 2006
Gross accounts receivable	$715.7	$ 643.6
Less allowance for doubtful accounts	(92.5)	(102.3)
	$623.2	$ 541.3

The provision for doubtful accounts was $196.2, $176.5 and $179.3 in 2007, 2006 and 2005 respectively. In addition, in 2005 the Company recorded a special charge of $4.7 related to forgiveness of amounts owed by patients and clients in the areas of the Gulf Coast severely impacted by hurricanes Katrina and Rita.

8 PROPERTY, PLANT AND EQUIPMENT, NET

	December 31, 2007	December 31, 2006
Land	$ 19.6	$ 14.6
Buildings and building improvements	95.9	93.6
Machinery and equipment	484.4	421.1
Software	256.4	239.5
Leasehold improvements	111.8	100.1
Furniture and fixtures	30.0	25.9
Construction in progress	59.9	36.2
Buildings under capital leases	–	5.4
Equipment under capital leases	3.5	3.5
	1,061.5	939.9
Less accumulated depreciation and amortization of capital lease assets	(622.3)	(546.7)
	$ 439.2	$ 393.2

Depreciation expense and amortization of capital lease assets was $106.5, $102.2 and $97.2 for 2007, 2006 and 2005, respectively. Depreciation of software was $34.8, $33.8, and $30.2 for 2007, 2006 and 2005, respectively.

9 GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill (net of accumulated amortization) for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Balance as of January 1	$1,484.0	$1,477.0
Goodwill acquired during the year	157.7	19.6
Adjustments to goodwill	(2.2)	(12.6)
Goodwill, net	$1,639.5	$1,484.0

The components of identifiable intangible assets are as follows:

	December 31, 2007		December 31, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer lists	$734.9	$(253.0)	$690.3	$(215.7)
Patents, licenses and technology	94.0	(47.1)	89.1	(38.0)
Non-compete agreements	34.4	(25.9)	27.4	(23.9)
Trade name	102.1	(26.0)	100.5	(19.5)
	$965.4	$(352.0)	$907.3	$(297.1)

A summary of intangible assets acquired during 2007, and their respective weighted average amortization periods are as follows:

	Amount	Weighted Average Amortization Period
Customer lists	$44.6	11.5
Patents, licenses and technology	4.9	4.3
Non-compete agreements	7.0	5.0
Trade name	1.6	5.0
	$58.1	9.9

Amortization of intangible assets was $54.9, $52.2 and $51.4 in 2007, 2006 and 2005, respectively. Amortization expense of intangible assets is estimated to be $56.1 in fiscal 2008, $55.1 in fiscal 2009, $54.3 in fiscal 2010, $49.6 in fiscal 2011, $45.2 in fiscal 2012, and $353.1 thereafter.

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The Company paid approximately $0.7 in 2007 and $0.6 in 2006 for certain exclusive and non-exclusive licensing rights to diagnostic testing technology. These amounts are being amortized over the life of the licensing agreements.

10 ACCRUED EXPENSES AND OTHER

	December 31, 2007	December 31, 2006
Employee compensation and benefits	$124.5	$109.7
Self-insurance reserves	48.7	46.1
Other tax accruals	–	53.0
Accrued taxes payable	13.4	1.6
Royalty and license fees payable	14.2	6.5
Accrued repurchases of common stock	3.0	–
Restructuring reserves	15.8	3.3
Acquisition related reserves	6.1	6.5
Interest payable	8.6	8.6
Other	5.3	7.7
	$239.6	$243.0

11 OTHER LIABILITIES

	December 31, 2007	December 31, 2006
Postretirement benefit obligation	$42.8	$45.8
Restructuring reserves	11.8	3.0
Self-insurance reserves	12.1	13.2
Acquisition related reserves	2.8	3.7
Other	21.2	14.9
	$90.7	$80.6

12 DEBT

Short-term borrowings and current portion of long-term debt at December 31, 2007 and 2006 consisted of the following:

	December 31, 2007	December 31, 2006
Zero-coupon convertible subordinated notes	$564.4	$554.4
Term loan, current	25.0	–
Current portion of long-term debt	0.1	–
Total short-term borrowings and current portion of long term debt	$589.5	$554.4

Long-term debt at December 31, 2007 and 2006 consisted of the following:

	December 31, 2007	December 31, 2006
Senior notes due 2013	$ 352.2	$352.6
Senior notes due 2015	250.0	250.0
Term loan, non-current	475.0	–
Other long-term debt	0.3	0.4
Total long-term debt	$1,077.5	$603.0

Credit Facilities

On October 26, 2007, the Company entered into new senior unsecured credit facilities with Credit Suisse, acting as Administrative Agent, and a group of financial institutions totaling $1,000.0. The new facilities consist of a five-year Revolving Facility in the principal amount of $500.0 and a five-year, $500.0 Term Loan Facility. On October 26, 2007, the Company borrowed $500.0 under the Term Loan Facility, and outstanding Letters of Credit totaling $110.5 were extended under the new facilities. The Company's previous revolving credit facility was terminated upon the closing of the new facilities. The balance outstanding on the Company's new Revolving Facility at December 31, 2007 was $0.0. The senior unsecured credit facilities bear interest at varying rates based upon the Company's credit rating with Standard & Poor's Ratings Services. As of December 31, 2007, the interest rates on the Term Loan Facility and the new Revolving Facility were 5.6% and 5.1%, respectively. The quarterly principal repayments of the Term Loan Facility range from $6.25 to $18.75 beginning on March 31, 2008 to September 30, 2012 with $243.75 due on the maturity date of October 26, 2012. At December 31, 2007, future principal repayments under the Term Loan facility are as follows: 2008 – $25.0, 2009 – $50.0, 2010 – $50.0, 2011 – $75.0 and 2012 – $300.0.

The new senior credit facilities are available for general corporate purposes, including working capital, capital expenditures, acquisitions, funding of share repurchases and other payments, and repayment of all amounts outstanding under the Company's previous revolving credit facility. The agreement contains certain debt covenants which require that the Company maintain leverage and interest coverage ratios of 2.5 to 1.0 and 5.0 to 1.0, respectively. Both ratios are calculated in relation to EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). The covenants also restrict the payment of dividends. The Company is in compliance with all covenants at December 31, 2007.

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Zero-Coupon Convertible Subordinated Notes

In 2001, the Company sold $744.0 aggregate principal amount at maturity of its zero-coupon convertible subordinated notes (the "notes") due 2021. The notes, which are subordinate to the Company's bank debt, were sold at an issue price of $671.65 per $1,000 principal amount at maturity (representing a yield to maturity of 2.0% per year). Each one thousand dollar principal amount at maturity of the notes is convertible into 13.4108 shares of the Company's common stock, subject to adjustment in certain circumstances, if one of the following conditions occurs:

1) If the sales price of the Company's common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding quarter reaches specified thresholds (beginning at 120% and declining 0.1282% per quarter until it reaches approximately 110% for the quarter beginning July 1, 2021 of the accreted conversion price per share of common stock on the last day of the preceding quarter). The accreted conversion price per share will equal the issue price of a note plus the accrued original issue discount and any accrued contingent additional principal, divided by the number of shares of common stock issuable upon conversion of a note on that day. The conversion trigger price for the fourth quarter of 2007 was approximately $66.13.
2) If the credit rating assigned to the notes by Standard & Poor's Ratings Services is at or below BB-.
3) If the notes are called for redemption.
4) If specified corporate transactions have occurred (such as if the Company is party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of its assets).

On September 22, 2006, the Company announced that it had commenced an exchange offer related to its zero-coupon subordinated notes due 2021. In the exchange offer, the Company offered to exchange a new series of zero-coupon convertible subordinated notes due September 11, 2021 (the "New Notes") and an exchange fee of $2.50 per $1,000 aggregate principal amount at maturity for all of the outstanding zero-coupon subordinated notes due 2021 (the "Old Notes").

The purpose of the exchange offer was to exchange the Old Notes for the New Notes with certain different terms, including the addition of a net share settlement feature. The net share settlement feature requires the Company to satisfy its obligation due upon conversion to holders of the New Notes in cash for a portion of the conversion obligation equal to the accreted principal of the New Notes and in shares for the remainder of the conversion value. In addition, the New Notes provide that the Company eliminate its option to issue shares in lieu of paying cash if and when the Company repurchases the New Notes at the option of holders.

On October 23, 2006, the exchange offer expired. Following settlement of the exchange, $741.2 in aggregate principal amount at maturity of the New Notes and $2.6 in aggregate principal amount at maturity of the Old Notes were outstanding.

Holders of the notes may require the Company to purchase in cash all or a portion of their notes on September 11, 2011 at $819.54 per note, plus any accrued contingent additional principal and any accrued contingent interest thereon.

The Company may redeem for cash all or a portion of the notes at any time on or after September 11, 2006 at specified redemption prices per one thousand dollar principal amount at maturity of the notes.

The Company has registered the notes and the shares of common stock issuable upon conversion of the notes with the Securities and Exchange Commission.

On September 12, 2007, the Company announced that for the period of September 12, 2007 to March 11, 2008, the zero-coupon subordinated notes will accrue contingent cash interest at a rate of no less than 0.125% of the average market price of a zero-coupon subordinated note for the five trading days ended September 7, 2007, in addition to the continued accrual of the original issue discount.

On October 3, 2007, the Company announced that its zero-coupon subordinated notes could be converted into Common Stock at the conversion rate of 13.4108 per $1,000 principal amount at maturity of the notes, subject to the terms of the zero-coupon subordinated notes and the Indenture, dated as of September 11, 2001 between the Company and The Bank of New York, as trustee and conversion agent. In order to exercise the option to convert all or a portion of the zero-coupon subordinated notes, Holders were required to validly surrender their zero-coupon subordinated notes at any time during the calendar quarter beginning October 1, 2007, through the close of business on the last business day of the calendar quarter, which was 5:00 p.m., New York City time, on Friday, December 31, 2007. At December 31, 2007, $2.8 of the $744 aggregate principal amount at maturity had been converted into 0.031 shares of the Company's common stock.

On January 4, 2008, the Company announced that its zero-coupon subordinated notes could be converted into Common Stock subject to the terms of the note and Indenture agreements dated September 11, 2001 for the Old Notes and to the note and Indenture agreements dated October 24, 2006 for the New Notes. In order to exercise the option to convert all or a portion of the LYONs or Zero-Coupon Notes,

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holders must validly surrender their LYONs or Zero-Coupon Notes at any time during the calendar quarter through the close of business at 5:00 p.m., New York City time, on Monday, March 31, 2008.

Senior Notes Due 2013

On January 17, 2003, in conjunction with the acquisition of DIANON, the Company borrowed $350.0 under a bridge loan agreement with Credit Suisse First Boston, acting as Administrative Agent. On January 31, 2003, the Company sold $350.0 aggregate principal amount of Senior Notes due January 31, 2013. The Notes bear interest at the rate of 5½% per annum from February 1, 2003, payable semi-annually on February 1 and August 1, commencing on August 1, 2003. Proceeds from the issuance of these Notes ($345.1), together with cash on hand was used to repay the $350.0 principal amount of the Company's bridge loan, and as a result, such bridge loan was terminated.

Senior Notes Due 2015

On December 7, 2005, in conjunction with the execution of an overnight share repurchase agreement with a bank, the Company borrowed $250.0 under its revolving credit facility. On December 12, 2005, the Company sold $250.0 aggregate principal amount of Senior Notes due 2015. The Notes bear interest at the rate of 5⅝% per annum from December 14, 2005, payable semi-annually on June 15 and December 15, commencing on June 15, 2006. Proceeds from the issuance of these Notes ($247.6), together with cash on hand, were used to repay the borrowings under the revolving credit facility.

13 PREFERRED STOCK AND COMMON SHAREHOLDERS' EQUITY

The Company is authorized to issue up to 265.0 shares of common stock, par value $0.10 per share. The Company's treasury shares are recorded at aggregate cost. Common shares issued and outstanding are summarized in the following table:

	2007	2006
Issued	132.7	143.8
In treasury	(21.7)	(21.6)
Outstanding	111.0	122.2

The Company is authorized to issue up to 30.0 shares of preferred stock, par value $0.10 per share. There were no preferred shares outstanding as of December 31, 2007.

The changes in common shares issued and held in treasury are summarized below:

Common Shares Issued

	2007	2006	2005
Common stock issued at January 1	143.8	148.0	150.7
Common stock issued under employee stock plans	2.0	2.5	2.1
Retirement of common stock	(13.1)	(6.7)	(4.8)
Common stock issued at December 31	132.7	143.8	148.0

Common Shares Held in Treasury

	2007	2006	2005
Common shares held in treasury at January 1	21.6	21.5	14.5
Purchase of common stock	–	–	6.8
Surrender of restricted stock awards	0.1	0.1	0.2
Common shares held in treasury at December 31	21.7	21.6	21.5

Share Repurchase Program

During fiscal 2007, the Company purchased 13.1 shares of its common stock at a total cost of $924.2. As of December 31, 2007, the Company had outstanding authorization from the Board of Directors to purchase approximately $425.8 of Company common stock.

On November 6, 2006, the Company executed an accelerated share repurchase transaction with an affiliate of Lehman Brothers Inc. for the acquisition of 3.4 shares of the Company's outstanding common stock for an initial purchase price of $73.40 per share. The Company used cash on hand to pay for the shares. The purchase price for these shares was subject to an adjustment based on the volume weighted average price of the Company's stock during a period following execution of the agreement. The total cost of the initial purchase was approximately $253.6, including a cap premium of $3.5. The forward contract associated with the accelerated share repurchase transaction was accounted for in accordance with EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," ("EITF 0019") as an equity instrument. The purchase price adjustment was settled in the first quarter of 2007 and resulted in the receipt of 0.1 additional shares by the Company. The purchase price adjustment did not require the Company to make any additional cash payment. The shares repurchased under the accelerated share repurchase agreement were retired.

On December 7, 2005, the Company executed an overnight share repurchase transaction with a bank for the acquisition of 4.8 shares of the Company's outstanding common stock for an initial purchase price of $52.04 per share. The transaction was financed with borrowings

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under the Company's revolving line of credit. The Company used cash on hand and the proceeds of the Senior Notes due 2015 to repay borrowings under the Company's revolving credit facility. Pursuant to the agreement with the bank, the bank purchased 4.8 shares in the open market over the period ended June 13, 2006. At the end of the purchase period, the Company made a cash payment of $22.9 to the bank to settle its obligation for the purchase price adjustment based on the volume weighted average purchase price of the shares acquired compared to the initial purchase price. The total cost of the initial purchase was approximately $251.7, including a $1.5 cap premium and $0.2 in commissions and other fees. The shares repurchased under the overnight share repurchase agreement were immediately canceled and returned to the status of authorized but unissued shares. The Company reduced common stock and additional paid in capital by approximately $0.5 and $251.2, respectively to record the initial purchase price. The forward contract associated with the overnight share repurchase transaction was accounted for in accordance with EITF 00-19 as an equity instrument. The $22.9 paid in connection with the price adjustment was recorded as a reduction to additional paid in capital. The diluted net income per share calculation for the year ended December 31, 2006 includes the potential shares of common stock that could have been issued to settle the overnight share repurchase transaction.

Stockholder Rights Plan

The Company adopted a stockholder rights plan effective as of December 13, 2001 that provides that each common stockholder of record on December 21, 2001 received a dividend of one right for each share of common stock held. Each right entitles the holder to purchase from the Company one-hundredth of a share of a new series of participating preferred stock at an initial purchase price of four hundred dollars. These rights will become exercisable and will detach from the Company's common stock if any person becomes the beneficial owner of 15% or more of the Company's common stock. In that event, each right will entitle the holder, other than the acquiring person, to purchase, for the initial purchase price, shares of the Company's common stock having a value of twice the initial purchase price. The rights will expire on December 13, 2011, unless earlier exchanged or redeemed.

Accumulated Other Comprehensive Earnings

The components of accumulated other comprehensive earnings are as follows:

	Foreign Currency Translation Adjustments	Net Benefit Plan Adjustments	Adoption of FASB Statement No. 158	Accumulated Other Comprehensive Earnings
Balance at December 31, 2004	$ 81.3	$ 0.4	$ –	$ 81.7
Current year adjustments	14.3	–	–	14.3
Tax effect of adjustments	(5.7)	–	–	(5.7)
Balance at December 31, 2005	89.9	0.4	–	90.3
Current year adjustments	(1.1)	–	(51.2)	(52.3)
Tax effect of adjustments	0.4	–	20.3	20.7
Balance at December 31, 2006	89.2	0.4	(30.9)	58.7
Current year adjustments	96.9	4.0	–	100.9
Tax effect of adjustments	(38.0)	(1.6)	–	(39.6)
Balance at December 31, 2007	**$148.1**	**$ 2.8**	**$(30.9)**	**$120.0**

14 INCOME TAXES

The sources of income before taxes, classified between domestic and foreign entities are as follows:

Pre-Tax Income

	2007	2006	2005
Domestic	$786.5	$717.4	$639.7
Foreign	15.8	3.5	1.0
Total pre-tax income	$802.3	$720.9	$640.7

The provisions for income taxes in the accompanying consolidated statements of operations consist of the following:

	Years Ended December 31,		
	2007	2006	2005
Current:			
Federal	$238.9	$204.0	$186.5
State	49.9	43.2	43.0
Foreign	10.2	5.4	6.5
	$299.0	$252.6	$236.0
Deferred:			
Federal	$ 18.8	$ 26.3	$ 13.6
State	4.2	7.5	3.1
Foreign	3.5	2.9	1.8
	26.5	36.7	18.5
	$325.5	$289.3	$254.5

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The tax benefit associated with option exercises from stock plans reduced taxes currently payable by approximately $26.2, $20.4 and $11.9 in 2007, 2006 and 2005, respectively. Such benefits are recorded as additional paid-in-capital.

The effective tax rates on earnings before income taxes is reconciled to statutory federal income tax rates as follows:

	Years Ended December 31,		
	2007	2006	2005
Statutory federal rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax effect	4.0	4.3	4.5
Change in valuation allowance	–	–	0.2
Dividend received deduction for foreign repatriation	–	–	(1.1)
Other	1.6	0.8	1.1
Effective rate	40.6%	40.1%	39.7%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31, 2007	December 31, 2006
Deferred tax assets:		
Employee compensation and benefits	$ 55.0	$ 43.9
Self-insurance reserves	23.0	22.3
Postretirement benefit obligation	16.9	18.1
Acquisition and restructuring reserves	13.6	6.2
Tax loss carryforwards	9.7	16.9
Other	13.0	1.7
	131.2	109.1
Less valuation allowance	(3.9)	(3.9)
Net deferred tax assets	$127.3	$105.2
Deferred tax liabilities:		
Accounts receivable	(28.3)	(14.7)
Deferred earnings	(21.6)	(18.1)
Intangible assets	(285.5)	(282.0)
Property, plant and equipment	(27.2)	(29.8)
Zero-coupon subordinated notes	(113.9)	(90.6)
Currency translation adjustment	(96.1)	(57.9)
Total gross deferred tax liabilities	(572.6)	(493.1)
Net deferred tax liabilities	$(445.3)	$(387.9)

The Company has state tax loss carryovers of approximately $1.1, which expire in 2008 through 2024. In addition, the Company has federal tax loss carryovers of approximately $8.6 expiring periodically through 2024. The utilization of these tax loss carryovers is limited due to change of ownership rules. However, at this time the Company expects to fully utilize substantially all of its tax loss carryovers.

The Company adopted the provisions of Financial Standards Accounting Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes ("FIN 48") an interpretation of FASB Statement No. 109 ("SFAS 109") on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized approximately $0.5 as an increase to its reserve for uncertain tax positions and a reduction of the beginning shareholders' equity.

At the adoption date of January 1, 2007 the Company had approximately $56.8 of total gross unrecognized income tax benefits, which included interest and penalties.

The gross reserves for uncertain tax positions were $49.3 and $55.7 at January 1, 2007 and December 31, 2007, respectively. It is anticipated that the amount of the unrecognized tax benefits will change within the next twelve months; however these changes are not expected to have a significant impact on the results of operations, cash flows or the financial position of the Company.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. Accrued interest and penalties related to uncertain tax positions totaled $7.5 and $10.8 as of January 1, 2007 and December 31, 2007, respectively. During the year ended December 31, 2007, the Company recognized $4.4 in interest and penalties expense, which was offset by a $1.1 benefit.

Below is a reconciliation of the reserve associated with uncertain tax positions as of the adoption date through December 31, 2007.

Beginning balance as of the date of adoption	$49.3
Increase in reserve for tax positions taken in the current year	11.2
Decrease in reserve as a result of settlements reached with tax authorities	(2.1)
Decrease in reserve as a result of lapses in the statute of limitations	(2.7)
Balance as of December 31, 2007	$ 55.7

At the date of adoption and at December 31, 2007, $45.2 and $52.5, respectively, is the approximate amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

The Company has substantially concluded all U.S. federal income tax matters for years through 2003. Substantially all material state and local, and foreign income tax matters have been concluded through 2001. Management believes adequate provisions have been recorded related to all open tax years.

The Company provided for taxes on undistributed earnings of foreign subsidiaries.

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15 STOCK COMPENSATION PLANS

Stock Incentive Plans

There are currently 19.7 million shares authorized for issuance under the 2000 Stock Incentive Plan, the Amended and Restated 1999 Stock Incentive Plan and the 1994 Stock Option Plan. Each of these plans was approved by shareholders. At December 31, 2007, there were 0.5 million additional shares available for grant under the Company's stock option plans.

Stock Options

The following table summarizes grants of non-qualified options made by the Company to officers, key employees, and non-employee directors under all plans. Stock options are generally granted at an exercise price equal to or greater than the fair market price per share on the date of grant. Also, for each grant, options vest ratably over a period of three years on the anniversaries of the grant date, subject to their earlier expiration or termination.

Changes in options outstanding under the plans for the periods indicated were as follows:

	Number of Options	Weighted-Average Exercise Price Per Option	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2006	5.1	$44.10		
Granted	1.4	80.34		
Exercised	(1.7)	38.49		
Cancelled	(0.1)	64.90		
Outstanding at December 31, 2007	**4.7**	**$56.71**	**7.3**	**$94.5**
Vested and expected to vest at December 31, 2007	**4.5**	**$56.06**	**7.2**	**$93.7**
Exercisable at December 31, 2007	**2.2**	**$42.69**	**5.8**	**$72.1**

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of 2007 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2007. The amount of intrinsic value will change based on the fair market value of the Company's stock.

Cash received by the Company from option exercises, the actual tax benefit realized for the tax deductions and the aggregate intrinsic value of options exercised from option exercises under all share-based payment arrangements during the years ended December 31, 2007, 2006, and 2005 were as follows:

	2007	2006	2005
Cash received by the Company	**$67.4**	$72.9	$49.7
Tax benefits realized	**$25.7**	$19.0	$11.0
Aggregate intrinsic value	**$63.6**	$48.0	$27.9

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The following table summarizes information concerning currently outstanding and exercisable options.

	Options Outstanding			Options Exercisable	
		Weighted Average			
Range of Exercise Prices	Number Outstanding	Remaining Contractual Life	Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 4.84 – 39.34	1.0	5.2	$35.38	1.0	$35.38
$40.50 – 49.93	1.2	6.0	$46.23	0.9	$45.61
$58.57 – 58.57	1.1	8.2	$58.57	0.3	$58.57
$59.37 – 80.37	1.4	9.2	$80.21	–	$71.56
	4.7	7.3	$56.71	2.2	$42.69

The following table shows the weighted average grant-date fair values of options and the weighted average assumptions that the Company used to develop the fair value estimates:

	2007	2006	2005
Fair value per option	$14.84	$12.24	$15.62
Valuation assumptions			
Weighted average expected life (in years)	3.1	3.1	3.1
Risk free interest rate	4.7%	4.3%	4.4%
Expected volatility	0.2	0.2	0.4
Expected dividend yield	0.0%	0.0%	0.0%

The Black Scholes model incorporates assumptions to value stock-based awards. The risk-free interest rate for periods within the contractual life of the option is based on a zero-coupon U.S. government instrument over the contractual term of the equity instrument. Expected volatility of the Company's stock is based on historical volatility of the Company's stock. The Company uses historical data to calculate the expected life of the option. Groups of employees and non-employee directors that have similar exercise behavior with regard to option exercise timing and forfeiture rates are considered separately for valuation purposes. For 2007 and 2006, expense related to the Company's stock option plan totaled $14.5 and $21.0, respectively.

Restricted Stock and Performance Shares

The following table summarizes grants of restricted stock and performance shares ("nonvested shares") made by the Company to officers, key employees, and non-employee directors under all plans. Restricted stock becomes vested annually in equal one third increments beginning on the first anniversary of the grant. The performance share awards represent a three year award opportunity for the period 2005-2007 and become vested in 2008. Performance share awards are subject to certain earnings per share and revenue targets, the achievement of which may increase or decrease the number of shares which the grantee receives upon vesting. The unearned restricted stock and performance share compensation is being amortized to expense over the applicable vesting periods. For 2007, 2006 and 2005, total restricted stock and performance share compensation expense was $16.7, $17.7 and $13.7, respectively.

The fair value of restricted stock and performance share awards is determined based on the closing price of the Company's common stock on the day immediately preceding the grant date.

The following table shows a summary of nonvested shares for the year ended December 31, 2007:

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2007	1.3	$48.02
Granted	0.1	80.25
Vested	(0.2)	46.97
Nonvested at December 31, 2007	1.2	52.16

As of December 31, 2007, there was $14.2 of total unrecognized compensation cost related to nonvested restricted stock and performance share-based compensation arrangements granted under the stock incentive plans. That cost is expected to be recognized over a weighted average period of 1.5 years.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan, begun in 1997 and amended in 1999 and 2004, with 4.5 million shares of common stock authorized for issuance. The plan permits substantially all employees to purchase a limited number of shares of Company stock at 85% of market value. The Company issues shares to participating employees semi-annually in January and July of each year. Approximately 174, 207, and 209 thousand shares were purchased by eligible employees in 2007, 2006 and 2005 respectively. For 2007 and 2006, expense related to the Company's employee stock purchase plan was $2.8 and $2.3, respectively.

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The Company uses the Black-Scholes model to calculate the fair value of the employee's purchase right. The fair value of the employee's purchase right and the assumptions used in its calculation are as follows:

	2007	2006	2005
Fair value of the employee's purchase right	$16.98	$11.48	$14.40
Valuation assumptions			
Risk free interest rate	4.1%	5.0%	2.8%
Expected volatility	0.3	0.1	0.1
Expected dividend yield	0.0%	0.0%	0.0%

16 COMMITMENTS AND CONTINGENT LIABILITIES

The Company was an appellant in a patent case originally filed by Competitive Technologies, Inc. and Metabolite Laboratories, Inc. in the United States District Court for the District of Colorado. After a jury trial, the district court entered judgment against the Company for patent infringement, with total damages and attorney's fees payable by the Company of approximately $7.8. The underlying judgment has been paid. The Company vigorously contested the judgment and appealed the case ultimately to the United States Supreme Court. On June 22, 2006, the Supreme Court dismissed the Company's appeal and the case has been remanded to the District Court for further proceedings including resolution of a related declaratory judgment action initiated by the Company addressing the plaintiffs' claims for post trial damages. The Company does not expect the resolution of these issues to have a material adverse effect on its financial position, results of operations or liquidity.

The Company is also involved in various claims and legal actions arising in the ordinary course of business. These matters include, but are not limited to, intellectual property disputes, professional liability, employee related matters, and inquiries, including subpoenas and other civil investigative demands, from governmental agencies and Medicare or Medicaid payers and managed care payers reviewing billing practices or requesting comment on allegations of billing irregularities that are brought to their attention through billing audits or third parties. In the opinion of management, based upon the advice of counsel and consideration of all facts available at this time, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial position, results of operations or liquidity of the Company. The Company is also named from time to time in suits brought under the qui tam provisions of the False Claims Act. These suits typically allege that the Company has made false statements and/or certifications in connection with claims for payment from federal health care programs. They may remain under seal (hence, unknown to the Company) for some time while the government decides whether to intervene on behalf of the qui tam plaintiff. Such claims are an inevitable part of doing business in the health care field today and, in the opinion of management, based upon the advice of counsel and consideration of all facts available at this time, the ultimate disposition of those qui tam matters presently known to the Company is not expected to have a material adverse effect on the financial position, results of operations or liquidity of the Company.

The Company believes that it is in compliance in all material respects with all statutes, regulations and other requirements applicable to its clinical laboratory operations. The clinical laboratory testing industry is, however, subject to extensive regulation, and the courts have not interpreted many of these statutes and regulations. There can be no assurance therefore that those applicable statutes and regulations might not be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that would adversely affect the Company. Potential sanctions for violation of these statutes and regulations include significant fines and the loss of various licenses, certificates and authorizations.

Under the Company's present insurance programs, coverage is obtained for catastrophic exposure as well as those risks required to be insured by law or contract. The Company is responsible for the uninsured portion of losses related primarily to general, professional and vehicle liability, certain medical costs and workers' compensation. The self-insured retentions are on a per occurrence basis without any aggregate annual limit. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregated liability of claims incurred. At December 31, 2007 and 2006, the Company had provided letters of credit aggregating approximately $104.8 and $111.7 respectively, primarily in connection with certain insurance programs and as security for the Company's contingent obligation to reimburse up to $200.0 in transition costs under a new customer contract. The Company's availability under its Revolving Facility is reduced by the amount of these letters of credit.

Effective January 1, 2007, the Company commenced its successful implementation of its ten-year agreement with United Healthcare Insurance Company (UnitedHealthcare) and became its exclusive national laboratory provider. During the first three years of the ten-year agreement, the Company has committed to reimburse UnitedHealthcare up to $200 for transition costs related to developing expanded networks in defined markets. During 2007, approximately $38.3 of such transition payments were billed to the Company by UnitedHealthcare and approximately $32.0 had been remitted by the Company.

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The Company leases various facilities and equipment under non-cancelable lease arrangements. Future minimum rental commitments for leases with non-cancelable terms of one year or more at December 31, 2007 are as follows:

	Operating
2008	$ 94.9
2009	71.6
2010	50.8
2011	40.5
2012	26.6
Thereafter	44.1
Total minimum lease payments	328.5
Less:	
Amounts included in restructuring and acquisition related accruals	(30.3)
Non-cancelable sub-lease income	(1.9)
Total minimum operating lease payments	$296.3

Rental expense, which includes rent for real estate, equipment and automobiles under operating leases, amounted to $158.9, $130.9 and $119.6 for the years ended December 31, 2007, 2006 and 2005, respectively.

At December 31, 2007, the Company was a guarantor on approximately $6.4 of equipment leases. These leases were entered into by a joint venture in which the Company owns a fifty percent interest and have a remaining term of approximately four years.

17 PENSION AND POSTRETIREMENT PLANS

Effective December 31, 2006, the Company adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS No. 158). SFAS No. 158 requires that employers recognize on a prospective basis the funded status of their defined benefit pension and other postretirement plans on their consolidated balance sheet and recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost. SFAS No. 158 also requires additional disclosures in the notes to financial statements. The impact of SFAS No. 158 as of December 31, 2006, was a decrease of the Company's other assets by $26.4, increase of its accrued liabilities by $4.5 for pension and postretirement medical benefits, which resulted in a decrease to shareholders' equity of approximately $30.9, net of tax in the Company's consolidated balance sheet as of December 31, 2006.

Pension Plans

The Company maintains a defined contribution retirement plan for substantially all employees. Company contributions to the plan are based on a percentage of employee contributions. The cost of this plan was $14.8, $13.8 and $12.8 in 2007, 2006 and 2005, respectively.

In addition, substantially all employees of the Company are covered by a defined benefit retirement plan (the "Company Plan"). The benefits to be paid under the Company Plan are based on years of credited service and average final compensation. The Company's policy is to fund the Company Plan with at least the minimum amount required by applicable regulations. The Company did not make any contributions to the Company Plan in 2007 and 2006 and at the present time, does not plan to make any contributions in 2008.

The Company also has a nonqualified supplemental retirement plan which covers its senior management group that provides for the payment of the difference, if any, between the amount of any maximum limitation on annual benefit payments under the Employee Retirement Income Security Act of 1974 and the annual benefit that would be payable under the Company Plan but for such limitation. This plan is an unfunded plan.

The effect on operations for both the defined benefit retirement plan and the nonqualified supplemental retirement plan are summarized as follows:

	Years Ended December 31,		
	2007	2006	2005
Service cost for benefits earned	$ 19.1	$ 17.1	$ 15.7
Interest cost on benefit obligation	16.0	14.5	13.8
Expected return on plan assets	(22.7)	(21.4)	(21.0)
Net amortization and deferral	2.1	4.4	1.3
CEO retirement charge	–	0.7	–
Defined benefit plan costs	$ 14.5	$ 15.3	$ 9.8

Amounts included in accumulated other comprehensive earnings consist of unamortized net loss of $46.6 and unrecognized prior service cost of $3.4. The accumulated other comprehensive earnings that are expected to be recognized as components of the defined benefit plan costs during 2008 are $1.9 related to amortization of net loss and $0.6 related to recognition of prior service costs.

Notes to Consolidated Financial Statements

(Dollars and shares in millions, except per share data)

A summary of the changes in the projected benefit obligations of the defined benefit retirement plan and the nonqualified supplemental retirement plan are summarized as follows:

	2007	2006
Balance at January 1	$278.5	$263.4
Service cost	19.1	17.1
Interest cost	16.0	14.5
Actuarial gain	(2.2)	(1.4)
Amendments	–	1.4
Benefits and administrative expenses paid	(24.2)	(17.2)
CEO retirement charge	–	0.7
Balance at December 31	$287.2	$278.5

The Accumulated Benefit Obligation was $283.0 and $273.3 at December 31, 2007 and 2006, respectively.

A summary of the changes in the fair value of plan assets follows:

	2007	2006
Fair value of plan assets at beginning of year	$274.7	$259.1
Actual return on plan assets	19.5	32.4
Employer contributions	0.7	0.4
Benefits and administrative expenses paid	(24.2)	(17.2)
Fair value of plan assets at end of year	$270.7	$274.7

Weighted average assumptions used in the accounting for the defined benefit retirement plan and the nonqualified supplemental retirement plan are summarized as follows:

	2007	2006	2005
Discount rate	6.1%	6.0%	5.6%
Compensation increases	3.5%	3.0%	3.0%
Expected long term rate of return	8.5%	8.5%	8.5%

The Company maintains an investment policy for the management of the Company Plan's assets. The objective of this policy is to build a portfolio designed to achieve a balance between investment return and asset protection by investing in equities of high quality companies and in high quality fixed income securities which are broadly balanced and represent all market sectors. The Company's plan asset allocations at December 31, 2007 and 2006 for the defined benefit retirement plan and the nonqualified supplemental retirement plan are summarized as follows, target allocation for 2008, and expected long-term rate of return by asset category are as follows:

Asset Category	Target Allocation 2008	Percentage of Plan Assets at December 31, 2007	Percentage of Plan Assets at December 31, 2006	Weighted Average Expected Long-Term Rate of Return 2007
Equity Securities	70.0%	69.5%	69.9%	6.8%
Debt Securities	30.0%	29.6%	30.1%	1.7%
Other	0.0%	0.9%	0.0%	0.0%

The following assumed benefit payments under the Company's defined benefit and nonqualified supplemental retirement plans, which reflect expected future service, and were used in the calculation of projected benefit obligations, are expected to be paid as follows:

2008	$ 19.3
2009	20.5
2010	21.7
2011	23.3
2012	26.7
Years 2013-2017	155.2

Notes to Consolidated Financial Statements

(Dollars and shares in millions, except per share data)

Postretirement Medical Plan

The Company assumed obligations under a subsidiary's postretirement medical plan. Coverage under this plan is restricted to a limited number of existing employees of the subsidiary. This plan is unfunded and the Company's policy is to fund benefits as claims are incurred. The effect on operations of the postretirement medical plan is shown in the following table:

	Years Ended December 31,		
	2007	2006	2005
Service cost for benefits earned	**$ 0.5**	$ 0.6	$ 0.7
Interest cost on benefit obligation	**2.7**	2.2	2.6
Net amortization and deferral	**(2.1)**	(2.1)	(1.9)
Postretirement medical plan costs	**$ 1.1**	$ 0.7	$ 1.4

Amounts included in accumulated other comprehensive earnings consist of unamortized net loss of $0.8 and unrecognized prior service credit of $3.7. The accumulated other comprehensive earnings that is expected to be recognized as a component of the postretirement medical plan cost during 2008 is ($1.7) related to recognition of prior service credits.

A summary of the changes in the accumulated postretirement benefit obligation follows:

	2007	2006
Balance at January 1	**$45.8**	$43.3
Service cost for benefits earned	**0.5**	0.6
Interest cost on benefit obligation	**2.7**	2.2
Participants contributions	**0.3**	0.4
Actuarial (gain) loss	**(5.0)**	0.8
Benefits paid	**(1.5)**	(1.5)
Balance at December 31	**$42.8**	$45.8

The weighted-average discount rates used in the calculation of the accumulated postretirement benefit obligation was 6.2% and 6.0% as of December 31, 2007 and 2006, respectively. The health care cost trend rate-medical was assumed to be 9.0% and 10.0% as of December 31, 2007 and 2006, respectively, and the trend rate-pharmacy was assumed to be 9.0% and 12.0% as of December 31, 2007 and 2006, respectively, declining gradually to 5.0% in the year 2012. The health care cost trend rate has a significant effect on the amounts reported. Increasing the assumed health care cost trend rates by a percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2007 by $6.5. The impact of a percentage point change on the aggregate of the service cost and interest cost components of the 2007 postretirement benefit costs results in an increase of $0.5 or decrease of $0.4.

The following assumed benefit payments under the Company's postretirement benefit plan, which reflect expected future service, as appropriate, and were used in the calculation of projected benefit obligations, are expected to be paid as follows:

2008	$ 1.6
2009	1.7
2010	1.9
2011	2.0
2012	2.2
Years 2013-2017	13.0

18 SUPPLEMENTAL CASH FLOW INFORMATION

	Years Ended December 31,		
	2007	2006	2005
Supplemental schedule of cash flow information:			
Cash paid during period for:			
Interest	**$ 40.4**	$ 33.3	$ 19.3
Income taxes, net of refunds	**272.4**	223.2	233.3
Disclosure of non-cash financing and investing activities:			
Issuance of restricted stock awards	**11.9**	8.9	7.3
Surrender of restricted stock awards	**5.5**	3.1	7.3
Accrued repurchases of common stock	**3.0**	–	15.0

Notes to Consolidated Financial Statements

(Dollars and shares in millions, except per share data)

19 QUARTERLY DATA (UNAUDITED)

The following is a summary of unaudited quarterly data:

	Year Ended December 31, 2007				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	$998.7	$1,043.1	$1,020.6	$1,005.8	$4,068.2
Gross profit	421.7	442.0	422.1	405.4	1,691.2
Net earnings	122.5	128.7	111.2	114.4	476.8
Basic earnings per common share	1.01	1.10	0.95	1.01	4.08
Diluted earnings per common share	0.98	1.05	0.92	0.98	3.93

	Year Ended December 31, 2006				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	$878.6	$903.7	$909.9	$898.6	$3,590.8
Gross profit	372.7	392.8	384.9	379.0	1,529.4
Net earnings	101.9	116.4	109.6	103.7	431.6
Basic earnings per common share	0.82	0.94	0.88	0.84	3.48
Diluted earnings per common share	0.76	0.87	0.81	0.81	3.24

Notes to Consolidated Financial Statements

(Dollars and shares in millions, except per share data)

20 NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" ("SFAS 157"). SFAS 157 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB decided to issue a final Staff Position to allow a one-year deferral of adoption of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The FASB also decided to amend SFAS 157 to exclude FASB Statement No. 13 and its related interpretative accounting pronouncements that address leasing transactions. The Company is currently assessing the impact, if any, of SFAS 157 on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Items eligible for this measurement include: employer and plan obligations for pension benefits, other postretirement benefits, employee stock options, and stock purchase plans. The Company shall report unrealized gains or losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This Statement is effective for the Company as of January 1, 2008. The Company is currently assessing the impact, if any, of SFAS 159 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." SFAS No. 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. Its intention is to eliminate the diversity in practice regarding the accounting for transactions between an entity and noncontrolling interests. This Statement is effective for the Company as of January 1, 2009. Earlier adoption is prohibited. The Company is currently assessing the impact, if any, of SFAS 160 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), a revised version of SFAS No. 141, "Business Combinations." The revision is intended to simplify existing guidance and converge rulemaking under U.S. generally accepted accounting principles (GAAP) with international accounting rules. This statement applies prospectively to business combinations where the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The new standard also converges financial reporting under U.S. GAAP with international accounting rules. The Company is currently assessing the impact, if any, of SFAS 141(R) on its consolidated financial statements.

Laboratory Corporation of America

Shareholder and Company Information

Corporate Headquarters

358 South Main Street
Burlington, NC 27215
336-584-5171

Information Sources

Information about LabCorp is available from the following Company sources:

Investor Relations Contact
Eric Lindblom
Senior Vice President
Investor and Media Relations
336-436-6739

Center for Molecular Biology and Pathology
800-533-0567

Center for Occupational Testing
800-833-3984

Center for Esoteric Testing
Reference Testing
800-334-5161
Paternity/Identity
800-742-3944

LabCorp Drug Development Laboratory Services
888-244-4102

Web Site
www.LabCorp.com

Shareholder Direct Service 800-LAB-0401 (800-522-0401)

Call this number 24 hours a day and learn the most current earnings information and hear the most recent news releases and a corporate profile, speak with a shareholder services representative, or ask to receive a variety of printed information by fax or mail. This same information is available from our Web Site: www.LabCorp.com.

Transfer Agent

American Stock Transfer & Trust Company
Shareholder Services
6201 Fifteenth Avenue
Brooklyn, NY 11219
800-937-5449
www.amstock.com

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
101 Centreport Drive, Suite 250
Greensboro, NC 27409

Annual Meeting

The annual meeting of shareholders will be held at 9.00 a.m. EDT on May 7, 2008 at The Paramount Theater, 128 East Front Street, Burlington, NC 27215.

Form 10-K

Copies of Form 10-K as filed with the Securities and Exchange Commission are available without cost to shareholders by writing to:

Laboratory Corporation of America Holdings
Investor Relations Department
358 South Main Street
Burlington, NC 27215

Safe Harbor

Forward-looking statements in this annual report 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 which could affect the Company's financial results is included in the Company's Form 10-K for the year ended December 31, 2007 and subsequent filings.

Common Stock

The common stock trades on the New York Stock Exchange ("NYSE") under the symbol "LH." The following table sets forth for the calendar periods indicated the high and low sale prices for the Common Stock reported on the NYSE Composite Tape.

Year Ended December 31, 2006	High	Low
First Quarter	$59.39	$53.68
Second Quarter	62.80	56.39
Third Quarter	68.84	61.94
Fourth Quarter	73.94	65.21

Year Ended December 31, 2007	High	Low
First Quarter	$81.00	$65.60
Second Quarter	80.00	71.55
Third Quarter	82.32	71.70
Fourth Quarter	79.64	65.13

Corporate Governance, Code of Business Conduct and Ethics

The Company's Corporate Governance Guidelines, the Charters of its Audit Committee, Compensation Committee, Ethics and Quality Assurance Committee and Nominating and Corporate Governance Committee as well as the Company's Code of Business Conduct and Ethics are available on the Company's Web Site at www.LabCorp.com. You can also obtain a hard copy of these documents, without charge, upon written request to Eric Lindblom, Laboratory Corporation of America Holdings, 358 South Main Street, Burlington, NC 27215.

The Company submitted, on June 15, 2007 without qualification, the Annual Certification of the Chief Executive Officer to the New York Stock Exchange ("NYSE") regarding the NYSE corporate governance listing standards pursuant to Section 303A.12(a) of the NYSE Listing Standards. The Company filed its Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2, respectively, to its Annual Report on Form 10-K for fiscal year 2007 filed with the Securities and Exchange Commission on February 26, 2008.

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Laboratory Corporation of America

Management Team

David P. King
President and
Chief Executive Officer

William B. Haas
Executive Vice President,
Esoteric Business

Don Hardison
Executive Vice President,
Chief Operating Officer

William B. Hayes
Executive Vice President,
Chief Financial Officer
and Treasurer

Myla P. Lai-Goldman
Executive Vice President,
Chief Scientific Officer and
Medical Director

Bradford T. Smith
Executive Vice President,
Corporate Affairs and Secretary

A. Scott Walton
Executive Vice President and
Chief Information Officer

Executive Management
(left to right)
Scott Walton, Dave King, Don Hardison, Brad Hayes,
Brad Smith, Myla Lai-Goldman, Bill Haas

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