

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended MARCH 31, 1997

OR

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

For the transition period from _____ to _____

Commission file number 1-11353

LABORATORY CORPORATION OF AMERICA HOLDINGS

(Exact name of registrant as specified in its charter)

DELAWARE 13-3757370

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

358 SOUTH MAIN STREET, BURLINGTON, NORTH CAROLINA 27215

(Address of principal executive offices) (Zip code)

(910) 229-1127

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports) and (2) has been subject to
such filing requirements for the past 90 days. Yes X No

The number of shares outstanding of the issuer's common stock is 122,935,080
shares as of May 5, 1997, of which 61,329,256 shares are held by an indirect
wholly owned subsidiary of Roche Holding Ltd.

The number of warrants outstanding to purchase shares of the issuer's common
stock is 22,151,308 as of May 5, 1997, of which 8,325,000 are held by an
indirect wholly owned subsidiary of Roche Holding Ltd.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in millions, except per share data)

	March 31, 1997	December 31, 1996
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 29.5	\$ 29.3
Accounts receivable, net	519.2	505.6
Inventories	43.1	44.3
Prepaid expenses and other	22.5	21.8
Deferred income taxes	64.6	66.2
Income taxes receivable	53.1	54.3
	-----	-----
Total current assets	732.0	721.5
Property, plant and equipment, net	272.0	282.9
Intangible assets, net	882.1	891.1
Other assets, net	25.8	21.5
	-----	-----
	\$1,911.9	\$1,917.0
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 64.1	\$ 65.7
Accrued expenses and other	169.9	168.4
Current portion of long-term debt	131.3	18.7
Loan from affiliate	187.0	--
	-----	-----
Total current liabilities	552.3	252.8
Revolving credit facility	384.0	371.0
Long-term debt, less current portion	562.5	693.8
Loan from affiliate	--	187.0
Capital lease obligation	9.8	9.8
Other liabilities	142.8	144.5
Stockholders' equity:		
Preferred stock, \$0.10 par value; 10,000,000 shares authorized; none issued and outstanding	--	--
Common stock, \$0.01 par value; 220,000,000 shares authorized; 122,935,080 shares outstanding at March 31, 1997 and December 31, 1996	1.2	1.2
Additional paid-in capital	411.0	411.0
Accumulated deficit	(151.7)	(154.1)
	-----	-----
Total stockholders' equity	260.5	258.1
	-----	-----
	\$1,911.9	\$1,917.0
	=====	=====

See notes to unaudited consolidated condensed financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Dollars in Millions, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	1997	1996
	-----	-----
Net Sales	\$ 391.5	\$ 403.9
Cost of Sales	277.2	303.3
	-----	-----
Gross profit	114.3	100.6

Selling, general and administrative expenses	78.9	65.5
Amortization of intangibles and other assets	7.6	7.3
	-----	-----
Operating income	27.8	27.8
Other income (expense):		
Investment income	0.8	0.7
Interest expense	(22.7)	(16.7)
	-----	-----
Earnings before income taxes	5.9	11.8
Provision for income taxes	3.5	5.9
	-----	-----
Net earnings	\$ 2.4	\$ 5.9
	=====	=====
Net earnings per common share	\$ 0.02	\$ 0.05
	=====	=====

See notes to unaudited consolidated condensed financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Millions)
(Unaudited)

	Three Months Ended March 31,	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 2.4	\$ 5.9
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	21.9	20.8
Deferred income taxes, net	2.0	4.8
Provision for doubtful accounts, net	4.1	(0.9)
Change in assets and liabilities, net of effects of acquisitions:		
Increase in accounts receivable	(17.7)	(20.8)
Decrease(increase)in inventories	1.2	(9.7)
Increase in prepaid expenses and other	(0.8)	(0.7)
Change in income taxes receivable/payable, net	1.2	18.7
Increase in accounts payable, accrued expenses and other	7.1	9.5
Payments for restructuring and non-recurring charges	(4.4)	(6.2)
Payments for settlements and related expenses	(1.3)	(0.3)
Other, net	(5.3)	(1.9)
	-----	-----
Net cash provided by operating activities	10.4	19.2
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3.1)	(14.9)
Acquisitions of businesses	--	(3.2)
	-----	-----
Net cash used for investing activities	(3.1)	(18.1)
	-----	-----

(continued)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS - (Continued)
(Dollars in Millions)
(Unaudited)

	Three Months Ended March 31,	
	1997	1996
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	\$ 25.0	\$ 87.0
Payments on revolving credit facilities	(12.0)	(70.0)
Payments on long-term debt	(18.7)	(16.7)
Deferred payments on acquisitions	(1.4)	(2.1)
	-----	-----
Net cash used by financing activities	(7.1)	(1.8)
	-----	-----
Net increase (decrease) in cash and cash equivalents	0.2	(0.7)
Cash and cash equivalents at beginning of year	29.3	16.4
	-----	-----
Cash and cash equivalents at end of period	\$ 29.5	\$ 15.7
	=====	=====
 Supplemental schedule of cash		

flow information:		

Cash paid (received) during the period for:		
Interest	\$ 19.3	\$ 16.8
Income taxes	(1.8)	(16.7)
 In connection with business		

acquisitions, liabilities were		

assumed as follows:		

Fair value of assets acquired	\$ --	\$ 7.9
Cash paid	--	(3.2)
Liabilities assumed	\$ --	\$ 4.7

See notes to unaudited consolidated condensed financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Dollars in Millions)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated condensed financial statements include the accounts of Laboratory Corporation of America Holdings and its wholly owned subsidiaries (the "Company") after elimination of all material intercompany accounts and transactions.

The accompanying consolidated condensed financial statements of the Company and its subsidiaries are unaudited. In the opinion of management, all adjustments (which include only normal recurring accruals) necessary for a fair statement of the results of operations have been made.

2. EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding during the three months ended March 31, 1997 and 1996 of 122,935,080 shares and 122,908,722 shares, respectively.

On March 3, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share," replacing Accounting Principles Board ("APB") Opinion No. 15, "Earnings Per Share." SFAS No. 128 replaces "primary" and "fully diluted" earnings per share ("EPS") under APB Opinion No. 15 with "basic" and "diluted" EPS. Unlike primary EPS, basic EPS excludes the dilutive effects of options, warrants and other convertible securities. Dilutive EPS reflects the potential dilution of securities that could share in the earnings of an entity, similar to fully diluted EPS. SFAS No. 128 is effective for years ending after December 15, 1997 and will require the restatement of prior year earnings per share calculations. The implementation of SFAS No. 128 would have had no significant impact on the calculation of earnings per share for the quarters ended March 31, 1997 and 1996.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Dollars in Millions)

3. RESTRUCTURING CHARGES

Following a merger in 1995 with Roche Biomedical Laboratories, Inc. ("RBL"), the Company determined that it would be beneficial to close Company laboratory facilities in certain geographic regions where duplicate Company and RBL facilities existed at the time of the Merger. In addition, in 1996 the Company decided to downsize certain finance and administrative positions in La Jolla, California in order to eliminate duplicative functions.

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

	Severance Costs	Asset revaluations and write-offs	Lease and other facility obligations	Total
	-----	-----	-----	-----
Balance at				
December 31, 1996	\$ 8.3	\$ 9.4	\$ 16.9	\$ 34.6
Non cash items	--	--	--	--
Cash payments	(3.4)	(0.1)	(0.5)	(4.0)
	-----	-----	-----	-----
Balance at				
March 31, 1997	\$ 4.9	\$ 9.3	\$ 16.4	\$ 30.6
	=====	=====	=====	=====
Current				\$ 21.5
Non-current				9.1

				\$ 30.6
				=====

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

OVERVIEW

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This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, from time to time, the Company or its representatives have made or may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in, but are not limited to, various filings made by the Company with the Securities and Exchange Commission, press releases or oral statements made by or with the approval of an authorized executive officer of the Company. Actual results could differ materially from those projected or suggested in any forward-looking statements as a result of a wide variety of factors and conditions, which have been described in the section of the Company's Annual Report on Form 10-K for the year ended December 31, 1996, entitled, "Cautionary Statement for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995" and other documents the Company files from time to time with the Securities and Exchange Commission including the Company's quarterly reports on Form 10-Q and current reports on Form 8-K, and shareholders are specifically referred to these documents with regard to factors and conditions that may affect future results.

In the last several years, the Company's business has been affected by significant government regulation, price competition and increased influence of managed care organizations resulting from payors' efforts to control the cost, utilization and delivery of health care services. As a result of these factors, the Company's profitability has been impacted by changes in the volume of testing, the prices and costs of its services, the mix of payors and the level of bad debt expense.

Management expects that price erosion and utilization declines will continue to negatively impact net sales and results of operations for the foreseeable future, particularly as a result of anticipated growth in managed care. Since the third quarter of 1996, the Company has expanded its efforts to improve the profitability of new and existing business in an attempt to counter the effects of such price erosion. To date this effort has focused primarily on reviewing existing contracts, including those with managed care organizations, and selectively repricing or discontinuing business with existing accounts which perform below Company expectations. The Company believes that as a result of this effort, the first quarter of 1997 was the first quarter in two years that the Company's price per accession increased versus the comparable prior year quarter. The Company is also targeting price increases in certain areas, such as specialty and niche testing, which have not seen price increases since 1995. While such increases have adversely affected volumes,

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

the Company believes that such measures along with other cost reduction programs, will improve its overall profitability. There can be no assurance, however, of the timing or success of such measures or that the Company will not lose market share as a result of these measures. Also, the Company is reviewing its sales organization and expects to modify its commission structure so that compensation is tied more directly to the profitability of retained and new business instead of the current practice of basing commissions primarily on revenue generated. Finally, it is the objective of management to partially offset any increases in cost of sales as a percentage of net sales and selling, general and administrative expenses as a percentage of net sales through cost savings the Company expects to realize through comprehensive cost reduction programs. The Company is reviewing alternatives relating to regions of the country and certain businesses where profitability is not reaching internal goals and may consolidate operations or enter into joint ventures, alliances, or asset swaps with interested parties in order to maximize regional operating efficiencies.

Many market-based changes in the clinical laboratory business have occurred, most involving the shift away from traditional, fee-for-service medicine to managed-cost health care. The growth of the managed care sector presents various challenges to the Company and other independent clinical laboratories. Managed care providers typically contract with a limited number of clinical laboratories and negotiate discounts to the fees charged by such laboratories in an effort to control costs. Such discounts have resulted in price erosion and have negatively impacted the Company's operating margins. In addition, managed care providers have used capitated payment contracts in an attempt to promote more efficient use of laboratory testing services. Under a capitated payment contract, the clinical laboratory and the managed care provider agree to a per month payment to cover all laboratory tests during the month, regardless of the number or cost of the tests actually performed. Such contracts also shift the risks of additional testing beyond that covered by the capitated payment to the clinical laboratory. The increase in managed-cost health care has also resulted in declines in the utilization of laboratory testing services.

In addition, Medicare (which principally serves patients 65 and older) and Medicaid (which principally serves indigent patients) and insurers, have increased their efforts to control the cost, utilization and delivery of health care services. Measures to regulate health care delivery in general and clinical laboratories in particular have resulted in reduced prices and added costs and decreasing test utilization for the clinical laboratory industry by increasing complexity and adding new regulatory and administrative requirements. From time to time, Congress has also considered changes to the Medicare fee schedules in conjunction with certain budgetary bills. Any future changes to the Medicare fee schedules

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

cannot be predicted at this time and management, therefore, cannot predict the impact, if any, such proposals, if enacted, would have on the results of operations or financial condition of the Company.

RESULTS OF OPERATIONS
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Net sales for the three months ended March 31, 1997 were \$391.5, a decrease of approximately 3.1% from \$403.9 reported in the comparable 1996 period. Sales declined approximately 4.7% as a result of lower testing volume which is a result of industry wide trends as well as the Company's program of selectively eliminating unprofitable accounts and carefully evaluating the acceptability of new business. The decline in sales resulting from volume declines was partially offset by an increase in price per accession of approximately 1.6% from the comparable 1996 period. The increase in the price per accession was a direct result of the Company's effort to negotiate better pricing on new contracts, raising prices on existing contracts which do not meet Company profitability targets and other price increases.

Cost of sales, which includes primarily laboratory and distribution costs, was \$277.2 for the three months ended March 31, 1997 compared to \$303.3 in the corresponding 1996 period, a decrease of \$26.1. Cost of sales decreased approximately \$14.0 due to the decrease in volume, approximately \$15.1 due to a decrease in salaries and benefits and approximately \$5.6 in several other expense categories as a result of the Company's cost reduction programs. These decreases were partially offset by an increase in salaries due to scheduled salary increases and an increase in outside reference testing expenses and supply costs resulting primarily from an increase in volume in the Company's specialty and niche testing areas. Cost of sales as a percentage of net sales was 70.8% for the three months ended March 31, 1997 and 75.1% in the corresponding 1996 period. The decrease in the cost of sales percentage of net sales primarily resulted from the cost reduction efforts mentioned above.

Selling, general and administrative expenses increased to \$78.9 for the three months ended March 31, 1997 from \$65.5 in the same period in 1996. The primary reason for the increase in these expenses is due to additional costs, primarily salaries, consulting fees and the provision for doubtful accounts, incurred to address billing issues. The provision for doubtful accounts increased approximately \$7.4 or 2% of net sales, from the comparable 1996 period. The increase is primarily a result of the growth in accounts receivable resulting from increased medical necessity and related diagnosis code requirements of the Medicare program and various third party payors and integration issues following the merger with Roche Biomedical Laboratories, Inc. ("RBL") primarily resulting from maintaining and consolidating multiple billing

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

systems. See "Liquidity and Capital Resources". These increases were partially offset by decreases in selling expenses resulting from the decrease in net sales. As a percentage of net sales, selling, general and administrative expenses were 20.2% and 16.2% for the three months ended March 31, 1997 and 1996, respectively. The increase in the selling, general and administrative percentage primarily resulted from the factors noted above.

The increase in amortization of intangibles and other assets to \$7.6 for the three months ended March 31, 1997 from \$7.3 in the corresponding period in 1996 primarily resulted from small acquisitions completed in 1996.

Interest expense was \$22.7 for the three months ended March 31, 1997 compared with \$16.7 for the same period in 1996. The change resulted primarily from increased borrowings resulting from lower collection rates on accounts receivable and a loan from Roche Holdings Inc. ("Roche"), which was used to pay a settlement in 1996 with the U.S. Government (the "Settlement Payment"). See "Liquidity and Capital Resources". Roche holds approximately 49.9% of the Company's outstanding common stock.

The provision for income taxes as a percentage of earnings before taxes was 59.3% for the three months ended March 31, 1997 compared to 50.0% for the three months ended March 31, 1996. The Company's effective tax rate is significantly impacted by non-deductible amortization of intangible assets. As earnings before income taxes decreases, this non-deductible amortization increases in proportion to such earnings resulting in an increase in the effective tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities (after payment of settlement and related expenses of \$1.3 and \$0.3 in 1997 and 1996, respectively) was \$10.4 and \$19.2, respectively. Capital expenditures were \$3.1 and \$14.9 for 1997 and 1996, respectively. The Company expects capital expenditures to be approximately \$70.0 in 1997 to further automate laboratory processes to improve efficiency.

Increased medical necessity and related diagnosis code requirements of the Medicare program were placed on the Company by certain third party carriers in late 1995 and additional requirements were placed on the Company at the beginning of 1996. The Company has experienced lower collection rates as a result of these more stringent requirements. In addition, increased difficulty in collecting amounts due from private insurance carriers, including certain managed care plans, has negatively impacted cash flow from operations. Finally, integration issues following the merger in 1995 with RBL have also resulted in increased accounts receivable balances

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

as a result of the Company maintaining and consolidating multiple billing information systems. The Company currently has plans in place to stabilize collection rates and improve the collection of accounts receivable. To date, however, collection rates have continued to decline and additional changes in requirements of third-party payors could increase the difficulty in collections. There can be no assurance of the success of the Company's plans to improve collections and, due to changes in medical necessity requirements, the Company expects accounts receivable balances to continue to exceed 1995 levels.

In connection with a merger in April 1995 with RBL (the "Merger"), the Company entered into a credit agreement with the banks named therein and an administrative agent (the "Existing Credit Agreement"), which made available to the Company a term loan facility (the "Term Loan Facility") of \$800.0 and a revolving credit facility (the "Revolving Credit Facility") of \$450.0. Availability of funds under the Existing Credit Agreement is conditioned on certain customary conditions, and the Existing Credit Agreement, as amended, contains customary representations, warranties, covenants and events of default.

In March 1997, the Company entered into an amendment and waiver to the Existing Credit Agreement (the "Sixth Amendment") which eliminates amortization payments on the Term Loan Facility for 1997 and modifies the interest coverage and leverage ratios for the quarterly periods through December 31, 1997. Pursuant to this amendment, the Company paid an amendment fee of 37.5 basis points on commitments and will pay an additional fee of 62.5 basis points if the Rights Offering, discussed below, is not completed by June 30, 1997. Under the Sixth Amendment, maturities under the Term Loan Facility aggregate \$243.8, \$162.5, \$187.5 and \$100.0 in 1998 through 2001, respectively.

In March 1997, the Company also entered into an amended credit agreement which will become effective upon completion of the Rights Offering, discussed below, following satisfaction of certain conditions precedent (the "Amended Credit Agreement"). The Amended Credit Agreement makes available to the Company an amended term loan Facility of \$693.8 and an amended revolving credit facility of \$450.0 (the "Amended Term Loan Facility" and "Amended Revolving Credit Facility," respectively).

As in the Existing Credit Agreement, the senior unsecured credit facilities under the Amended Credit Agreement are composed of the Amended Term Loan Facility and the Amended Revolving Credit Facility. The Amended Revolving Credit Facility includes a \$50.0 letter of credit sublimit. The Amended Credit Agreement maturity dates are extended approximately three years for the Amended Term Loan Facility

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

to March 31, 2004 and approximately two years for the Amended Revolving Credit Facility to March 31, 2002.

As in the Existing Credit Agreement, both the Amended Term Loan Facility and the Amended Revolving Credit Facility bear interest, at the option of the Company, at (i) the base rate plus the applicable base rate margin or (ii) the eurodollar rate plus the applicable eurodollar rate margin. The Amended Credit Agreement provides that in the event of a reduction of the percentage of Common Stock held by Roche and its affiliates (other than the Company and its subsidiaries) below 25%, the applicable interest margins and facility fees on borrowings outstanding under the Amended Credit Agreement will increase. The amount of the increase will depend, in part, on the leverage ratio of the Company at the time of such reduction. In addition, pursuant to the Amended Credit Agreement, the applicable interest margins on borrowings outstanding thereunder will be based upon the leverage ratio.

Any lender that is party to the Amended Credit Agreement may serve as a letter of credit issuer under the Amended Credit Agreement, as agreed between the Company and such lender. The fronting fee payable to each letter of credit issuer will be as negotiated between the Company and such issuer, but will not exceed 0.125% per annum of the outstanding amount of such issuer's letter of credit. Each lender will be deemed to have purchased a participating interest in each letter of credit, and in addition to the fronting fee the Company will pay a letters of credit fee for the account of all the lenders equal to the applicable Amended Revolving Credit Facility Eurodollar Rate Margin, as defined, minus 0.125% per annum.

Total amortization of the Amended Term Loan Facility for each twelve-month period following the consummation of the Rights Offering will be reduced significantly for the first three years, and will be made (in quarterly installments) in accordance with the following table:

Year	Amount
----	-----
1997	\$ --
1998	--
1999	50.0
2000	100.0
2001	150.0
2002	150.0
2003	150.0
2004	93.8

As in the Existing Credit Agreement, the amounts available under the Amended Revolving Credit Facility are subject to certain mandatory permanent reduction and prepayment requirements and the Amended Term Loan Facility is subject to specified mandatory

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

prepayment requirements. In the Amended Credit Agreement, required amounts will first be applied to repay scheduled Amended Term Loan Facility payments until the Amended Term Loan Facility is repaid in full and then to reduce the commitments and advances under the Amended Revolving Credit Facility. Required payments and reductions will include (i) the proceeds of debt issuances, subject to certain exceptions; (ii) the proceeds of certain asset sales, unless reinvested within one year of the applicable asset sale in productive assets of a kind then used or usable in the business of the Company and its subsidiaries; (iii) the proceeds of sales of equity securities in excess of certain amounts; and (iv) under certain circumstances, a percentage of excess cash flow, as calculated annually.

The Amended Credit Agreement contains representations and warranties substantially similar to those set forth in the Existing Credit Agreement.

Conditions precedent to effectiveness of the Amended Credit Agreement include, without limitation, gross cash proceeds from the Rights Offering, discussed below, in an aggregate amount equal to at least \$250.0, receipt of appropriate certificates and legal opinions, accuracy in all material respects of representations and warranties, including absence of material adverse change in the Company and its subsidiaries (taken as a whole) since December 31, 1996, absence of defaults, evidence of authority, and payment of transaction fees.

The Amended Credit Agreement contains customary covenants similar to, and in the case of limitations on acquisitions and incurrence of additional debt, more restrictive than the covenants set forth in the Existing Credit Agreement.

Like the Existing Credit Agreement, the Amended Credit Agreement contains financial covenants with respect to a leverage ratio, an interest coverage ratio and minimum stockholders' equity. The covenant levels are less restrictive than under the Existing Credit Agreement, and will be tested quarterly.

The Amended Credit Agreement contains events of default substantially similar to those set forth in the Existing Credit Agreement.

Borrowings under the Revolving Credit Facility were \$384.0 as of March 31, 1997. In addition, in December 1996, the Company received a loan of \$187.0 from Roche to fund the Settlement Payment in the form of a promissory note which bears interest at 6.625% per annum and originally matured on March 31, 1997. In late March 1997, the Company obtained an extension of the Roche Loan to March 31, 1998. The Company subsequently made the Settlement Payment in December 1996.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

The Roche Loan is expected to be repaid with a portion of the proceeds from the Rights Offering, discussed below.

In February 1997, the Company filed a registration statement with the Securities and Exchange Commission (the "Commission") relating to the proposed offering of an aggregate of \$500.0 million of convertible preferred stock issuable in two series pursuant to transferable subscription rights to be granted on a pro rata basis to each stockholder of the Company (the "Rights Offering"). Rights holders who exercise their rights in full will also be entitled to subscribe for additional shares of preferred stock issuable pursuant to any unexercised rights.

The proceeds of the Rights Offering will be used to reduce amounts outstanding under the Company's Existing Credit Agreement, repay the Roche Loan, and pay fees and expenses related to the Rights Offering.

The Company is a party to interest rate swap agreements with certain major financial institutions, rated A or better by Moody's Investor Service, solely to manage its interest rate exposure with respect to \$600.0 of its floating rate debt under the Term Loan Facility. The agreements effectively change the interest rate exposure on \$600.0 of floating rate debt to a weighted average fixed interest rate of 6.01%, through requiring that the Company pay a fixed rate amount in exchange for the financial institutions paying a floating rate amount. Amounts paid by the Company in the three months ended March 31, 1996 were not significant. The notional amounts of the agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. These agreements mature in September 1998. The estimated unrealized gain on such agreements was approximately \$1.9 at April 30, 1997.

For a discussion of legal proceedings which may impact the Company's liquidity and capital resources see "Part II - Other Information -- Item 1: Legal Proceedings."

Cash and cash equivalents on hand, cash flow from operations and additional borrowing capabilities of \$66.0 under the Revolving Credit Facility as of March 31, 1997 are expected to be sufficient to meet anticipated operating requirements and provide funds for capital expenditures and working capital through 1997. The Company's ability to meet anticipated operating requirements, debt repayments, including the Roche Loan, and other anticipated cash outlays beyond 1997 is substantially dependent upon the completion of the Rights Offering. Failure to complete the Rights Offering by the end of February 1998 will require additional waivers or amendments to the Existing Credit Agreement and an extension of the Roche Loan. There can be no assurance that such waivers, amendments or an extension can

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

be obtained. Therefore, the failure to complete the Rights Offering by the end of February 1998 could have a material adverse effect on the Company's financial condition and liquidity.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, based upon the advice of counsel, the ultimate disposition of these matters will not have a material adverse effect on the financial position or results of operations of the Company. In addition, the Company has recently been contacted by representatives of certain insurance companies, and individuals in a purported class action, who have asserted claims for private reimbursement which are similar to the Government claims recently settled. The Company is carefully evaluating these claims, and although there can be no assurance, based upon the information currently available to it, management does not believe that the ultimate outcome of these claims will have a material adverse effect on its financial condition. However, due to the early stage of such claims, management cannot make an estimate of loss or predict whether or not such claims will have a material adverse effect on the Company's results of operations in any particular period.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 20 Press release of the Registrant dated April 25, 1997.*
- 27 Financial Data Schedule (electronically filed version only).

(b) Reports on Form 8-K

- (1) A current report on Form 8-K dated December 30, 1996 was filed on January 6, 1997 in connection with promissory note between the Company and Roche Holdings Inc. and an amendment to the Company's credit agreement.
- (2) A current report on Form 8-K dated January 6, 1997 was filed on January 8, 1997 in connection with the resignation of the Company's President and Chief Executive Officer.
- (3) A current report on Form 8-K and a current report on Form 8-K/A, both dated February 20, 1997, were filed on February 26, 1997 in connection with the press release dated February 20, 1997 announcing operating results of the Company for the three and twelve month periods ended December 31, 1996 as well as certain other information.
- (4) A current report on Form 8-K dated February 27, 1997 was filed on February 27, 1997 in connection with the filing by the Company of a registration statement on Form S-3 (the "Registration Statement") (Registration No. 333-22427).
- (5) A current report on Form 8-K dated March 3, 1997 was filed on March 3, 1997 in connection with an update to the Company's Forms S-3/S-4 dated April 25, 1995 (Registration No. 33-58775).
- (6) A current report on Form 8-K dated April 11, 1997 was filed on April 11, 1997 in connection with the filing of Amendment No. 1 to its Registration Statement on Form S-3 originally filed with the Securities and Exchange Commission on February 27, 1997 (Registration No. 333-22427).
- (7) A current report on Form 8-K dated April 21,

1997 was filed on April 24, 1997 in connection with the Company engaging Price Waterhouse LLP as its independent accountants for the year ending December 31, 1997.

- (8) A current report on Form 8-K dated April 25, 1997 was filed on April 30, 1997 in connection with the press release dated April 25, 1997 announcing operating results of the Registrant for the three month period ended March 31, 1997 as well as certain other information.

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* Incorporated by reference herein to the report on Form 8-K filed with the Securities and Exchange Commission on April 30, 1997.

S I G N A T U R E S

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

LABORATORY CORPORATION OF AMERICA HOLDINGS
Registrant

By:/s/ THOMAS P. MAC MAHON

Thomas P. Mac Mahon
Chairman of the Board, President
and Chief Executive Officer

By:/s/ WESLEY R. ELINGBURG

Wesley R. Elingburg
Executive Vice President,
Chief Financial Officer and
Treasurer (Principal
Financial Officer and
Principal Accounting Officer

Date: May 14, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AND STATEMENT OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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LABORATORY CORPORATION OF AMERICA HOLDINGS

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	DEC-31-1997	
	MAR-31-1997	
		29,500
		0
		631,100
		111,900
		43,100
		732,000
		453,700
		181,700
		1,911,900
	552,300	
		1,264,800
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		0
		1,200
		259,200
1,911,900		
		391,500
	391,500	
		277,200
		277,200
		86,500
		0
	22,700	
		5,900
		3,500
	2,400	
		0
		0
		0
		2,400
		0.02
		0.02

