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

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

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 incorporation or organization)	(I.R.S. Employer 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 122,923,705 shares as of November 1, 1996, of which 61,329,256 shares are held by indirect wholly owned subsidiaries of Roche Holding Ltd.

The number of warrants outstanding to purchase shares of the issuer's common stock is 22,151,308 as of November 1, 1996, 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 BALANCE SHEETS
(Dollars in Millions, except per share data)

	September 30, 1996	December 31, 1995
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 28.2	$ 16.4
Accounts receivable, net	494.4	425.6
Inventories	45.8	51.3
Prepaid expenses and other	20.9	21.4
Deferred income taxes	116.5	63.3
Income taxes receivable	9.9	21.9
Total current assets	715.7	599.9
Property, plant and equipment, net	289.3	304.8
Intangible assets, net	885.1	916.7
Other assets, net	18.3	15.8
	$1,908.4	$1,837.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 74.2	$ 106.2
Accrued expenses and other	144.3	173.5
Current portion of long-term debt	93.8	70.8
Current portion of accrued settlement costs	200.7	--
Revolving credit facility classified as current	361.0	--
Long-term debt classified as current	637.5	--
Total current liabilities	1,511.5	350.5
Revolving credit facility	--	218.0
Long-term debt, less current portion	--	712.5
Accrued settlement costs, less current portion	33.0	--
Capital lease obligation	9.8	9.6
Other liabilities	97.2	135.0
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; 122,923,705 shares and 122,908,698 shares issued and outstanding at September 30, 1996 and December 31, 1995, respectively	1.2	1.2
Additional paid-in capital	411.0	411.0
Accumulated deficit	(155.3)	(0.6)
Total stockholders' equity	256.9	411.6
	$1,908.4	$1,837.2

See notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	1996	1995	1996	1995
Net sales	$ 1,216.5	$ 1,028.6	$ 402.6	$ 417.5
Cost of sales	903.9	722.4	300.1	299.7
Gross profit	312.6	306.2	102.5	117.8
Selling, general and administrative expenses	223.0	162.3	75.6	66.9
Amortization of intangibles and other assets	22.1	19.2	7.3	7.7
Restructuring and non-recurring charges	23.0	65.0	--	--
Provision for settlements and related expenses	185.0	10.0	185.0	--
Operating income (loss)	(140.5)	49.7	(165.4)	43.2
Other income (expense):				
Investment income	1.5	1.1	0.6	0.4
Interest expense	(51.4)	(48.5)	(17.7)	(17.4)
Earnings (loss) before income taxes and extraordinary item	(190.4)	2.3	(182.5)	26.2
Provision for income taxes	(35.7)	6.7	(36.1)	11.8
Earnings (loss) before extraordinary item	(154.7)	(4.4)	(146.4)	14.4
Extraordinary item - Loss on early extinguishment of debt, net of income tax benefit of $5.2	--	(8.3)	--	--
Net earnings (loss)	$ (154.7)	$ (12.7)	$ (146.4)	$ 14.4
Net earnings (loss) per common share:				
Earnings (loss) per common share before extra-ordinary loss	$ (1.26)	$ (0.04)	$ (1.19)	$ 0.12
Extraordinary loss per common share	$ --	$ (0.08)	$ --	$ --
Net earnings (loss) per common share	$ (1.26)	$ (0.12)	$ (1.19)	$ 0.12
Dividends per common share	$ --	$ --	$ --	$ --

See notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30, 1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(154.7)	$ (12.7)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Restructuring and non-recurring charges	23.0	65.0
Provision for settlements and related expenses	185.0	10.0
Extraordinary loss, net of income tax benefits	--	8.3
Depreciation and amortization	63.3	52.1
Deferred income taxes, net	(27.4)	(27.5)
Provision for doubtful accounts, net	9.9	3.0
Change in assets and liabilities, net of effects of acquisitions:		
Increase in accounts receivable	(78.7)	(60.0)
Decrease in inventories	6.5	4.4
Decrease (increase)in prepaid expenses and other	(2.4)	6.5
Change in income taxes receivable/payable, net	12.0	5.4
Decrease in accounts payable and other	(34.9)	(7.0)
Payments for restructuring and non-recurring charges	(14.4)	(6.7)
Payments for settlement and related expenses	(1.7)	(32.1)
Other, net	(3.1)	(4.3)
Net cash provided by (used for)operating activities	(17.6)	4.4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(46.3)	(44.3)
Acquisitions of businesses	(3.3)	(38.7)
Investment in joint venture	(2.5)	--
Net cash used for investing activities	(52.1)	(83.0)

(continued)

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

	Nine Months Ended September 30, 1996	1995
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	$ 223.0	$ 270.0
Payments on revolving credit facilities	(80.0)	(265.0)
Proceeds from long-term debt	--	800.0
Payments on long-term debt	(52.1)	(430.0)
Deferred payments on acquisitions	(9.4)	(10.3)
Proceeds from exercise of stock options	--	0.2
Dividends paid on common stock	--	(474.8)
Cash received for issuance of common stock	--	135.7
Cash received for warrants	--	51.0
Net cash provided by financing activities	81.5	76.8
Net increase (decrease) in cash and cash equivalents	11.8	(1.8)
Cash and cash equivalents at beginning of year	16.4	26.8
Cash and cash equivalents at end of period	$ 28.2	$ 25.0
Supplemental schedule of cash flow information:		
Cash paid(received)during the period for:		
Interest	$ 55.1	$ 42.4
Income taxes	(15.6)	22.0
Disclosure of non-cash financing and investing activities:		
Common stock issued in connection with an acquisition	$ --	$ 539.6
Common stock issued in connection with the cancellation of employee stock options	$ --	$ 6.9
In connection with business acquisitions, liabilities were assumed as follows:		
Fair value of assets acquired	$ 9.6	$ 775.7
Cash paid	(3.4)	(38.7)
Stock issued	--	(539.6)
Liabilities assumed	$ 6.2	$ 197.4

See notes to unaudited consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions, except per share data)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated 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 and nine months ended September 30, 1996 of 122,922,495 shares and 122,917,281 shares, respectively, and the weighted average number of shares outstanding during the three and nine months ended September 30, 1995 of 122,908,722 and 106,424,055 shares respectively.

3. MERGER WITH ROCHE BIOMEDICAL LABORATORIES, INC.

On April 28, 1995, the Company completed its merger (the "Merger") with Roche Biomedical Laboratories, Inc. ("RBL").

The following table provides unaudited pro forma operating results as if the Merger had been completed at the beginning of 1995. The pro forma information does not include the restructuring charges and extraordinary item related to the Merger. The pro forma information has been prepared for comparative purposes only and does not purport to be indicative of future operating results.

	Nine Months Ended September 30, 1995
Net sales	$1,275.2
Net earnings	49.5
Net earnings per common share	0.41

4. SETTLEMENTS AND RELATED EXPENSES

As previously discussed in the Company's December 31, 1995 10-K and June 30, 1996 10-Q, the Office of Inspector General ("OIG") of Health and Human Services and the Department of Justice ("DOJ") is investigating certain past laboratory practices of the predecessor companies of the Company - National Health Laboratories Holdings Inc.,

4. SETTLEMENTS AND RELATED EXPENSES - Continued

Roche Biomedical Laboratories, Inc. and Allied Clinical Laboratories, Inc. The discussions have become more active in recent months. As a result of on-going negotiations with the OIG and DOJ, the Company recorded a special charge of $185.0 (the "Settlement Charge") in the third quarter of 1996 to increase reserves for settlements and related expenses of government and private claims resulting from these investigations. Due to the fact that the negotiations are on-going, the Company is unable to predict with certainty the final outcome or payment terms of a settlement if a settlement is reached. The aggregate accrual at September 30, 1996 reflects the Company's current estimate of the cost of the settlement and related expenses but, there can be no assurance that the eventual settlement or other resolution of these matters will not have a material adverse effect upon the Company's financial condition, results of operations or cash flow. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" below for a discussion of the impact a settlement of these matters could have on the Company's liquidity. Also see "Part II - Other Information" for additional discussion of legal proceedings.

5. LONG-TERM DEBT

The Company obtained waivers for the quarter ended June 30, 1996 of certain covenants contained in its existing credit agreement, as amended (the "Credit Agreement") and subsequently successfully negotiated an amendment (the "Fourth Amendment") to the Credit Agreement on September 23, 1996. The Fourth Amendment modifies the interest coverage and leverage ratios applicable to the quarters ending September 30 and December 31, 1996. The Fourth Amendment also increases the interest rate margin on its revolving credit facility (the "Revolving Credit Facility") from 0.25% to 0.875% and increases the interest rate margin on its term loan facility (the "Term Loan Facility") from 0.375% to 1.00%. As a result of the Settlement Charge taken in the third quarter of 1996, as described in Note 4, the Company obtained a waiver which excludes the Settlement Charge from covenant calculations for the periods covered by the most recent amendment. Because of the limited period covered by the Fourth Amendment, approximately $998 million of the Company's debt that otherwise would have been classified as long-term has been classified as current in the September 30, 1996 consolidated balance sheet. Such classification has created, and the terms of a settlement agreement, as discussed in Note 4, could worsen, a material deficiency in short-term liquidity.

The Company has commenced a comprehensive analysis of its capital structure and is considering a range of alternatives for recapitalizing its balance sheet including equity and/or debt financing. Because of complexity and time frame necessary to

5. LONG-TERM DEBT -- Continued

complete any recapitalization, there can be no assurance of its completion. The Company will be required to obtain an additional waiver or amendment to the Credit Agreement at the earlier of thirty days following the completion of a settlement with the OIG or March 31, 1997, if the Company is unable to complete a recapitalization within such time periods. There can be no assurance that such a waiver or amendment can be obtained. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

6. RESTRUCTURING AND NON-RECURRING CHARGES

In the second quarter of 1996, the Company recorded certain charges of a non-recurring nature including additional charges related to the restructuring of operations. The Company recorded a restructuring charge totaling $13.0 for the shutdown of its La Jolla, California administrative facility and other workforce reductions. This amount includes approximately $8.1 for severance, $3.5 for the future lease obligation of the La Jolla facility and $1.4 for the write down of leasehold improvements and fixed assets that will be abandoned or disposed of. The La Jolla facility is expected to be substantially closed by the end of 1996. The remaining workforce reductions will take place in various other areas of the Company and are expected to be completed by the end of 1996.

In addition, the Company recorded certain non-recurring charges in the second quarter of 1996 related to further integration after the Merger. The Company decided to abandon certain data processing systems and therefore wrote off approximately $6.7 in capitalized software costs. In addition, the Company relocated its principal drug testing facility to accommodate consolidation of the RBL and Company operations and will incur approximately $1.3 in costs primarily related to the write off of leasehold improvements and building clean up. Finally, the Company recorded a charge of $2.0 for various other items including the write-off of certain supplies related to changes in testing methodologies to increase efficiency. As a result of these changes, some supplies were not compatible with the new testing methods and were disposed of.

Following the Merger in 1995, 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. As part of the Company's evaluation of its future obligations under these restructuring activities, certain changes in the estimates were made during the quarter ended June 30, 1996. These resulted in the reclassification of certain accruals in the categories listed below although the total liability did not change.

(Dollars in Millions)

6. RESTRUCTURING AND NON-RECURRING CHARGES - Continued

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, 1995	$ 12.8	$ 18.6	$ 18.9	$ 50.3
Additional restructuring charges	8.1	1.4	3.5	13.0
Reclassifications	1.6	0.7	(2.3)	--
Non cash items	--	(10.8)	--	(10.8)
Cash payments	(11.9)	--	(1.8)	(13.7)
Balance at September 30, 1996	$ 10.6	$ 9.9	$ 18.3	$ 38.8
Current				$ 24.7
Non-current				14.1
				$ 38.8

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

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, 1995, 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.

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 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 for the clinical laboratory industry by increasing complexity and adding new regulatory requirements. From time to time, Congress

has also considered changes to the Medicare fee schedules in conjunction with certain budgetary bills. Any changes to the Medicare fee schedules 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 of the Company.

These market based factors have had a significant adverse impact on the clinical laboratory industry, and on the Company's profitability. Management expects that price erosion and utilization declines will continue to negatively impact net sales and the results of operations for the foreseeable future. It is the objective of management to partially offset the increases in cost of sales as a percentage of net sales and selling, general and administrative expenses as a percentage of net sales through the synergy program, as discussed below, and through comprehensive cost reduction programs including, but not limited to, a six month deferral on increasing wages and adding new positions implemented on July 1, 1996. In addition, the Company has targeted business development efforts in an attempt to become more judicious in pricing new business and is selectively repricing or discontinuing business with existing accounts not meeting Company targets. The Company has experienced some volume declines as a result of this strategy, however, the third quarter of 1996 was the first quarter since the Merger that overall prices did not decline versus the immediately preceding quarter. 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 such measures.

RESULTS OF OPERATIONS

As a result of the Merger, the Company has realized and is expected to continue to achieve substantial savings in operating costs through the consolidation of certain operations and the elimination of redundant expenses. Such savings are being realized over time as the consolidation process is completed. As of September 30, 1996, the Company has achieved annualized net savings of approximately $111.5. Such savings include an annualized reduction of $4.3 in corporate, general and administrative expenses including the consolidation of administrative staff. Combining the NHL sales force with the RBL sales force where duplicate territories existed has added approximately $17.8 of annualized synergies. Operational savings have resulted in approximately $74.9 of annualized synergies. These include closing of overlapping laboratories and other facilities and savings realized from additional buying power by the larger Company. The Company has also realized annualized savings of approximately $14.5 relating to employee benefits as a result of changes to certain benefit arrangements. Additional annualized savings of $8.5 are expected to be achieved over the

RESULTS OF OPERATIONS - Continued

remainder of the consolidation process. These savings will be principally achieved in operational areas from the further consolidation overlapping laboratories. To date, however, these savings have been largely offset by price erosion and utilization declines resulting from the increase in managed care and to a lesser extent from increases in other expenses such as bad debt expenses as a result of increased medical necessity requirements placed on the Company by various third-party payors. The effects of price erosion and utilization declines on the Company's results of operations would have been greater but for the savings achieved through the synergy program. There can be no assurance that the estimated additional cost savings expected to be achieved will be realized or achieved in a timely manner or that improvements, if any, in profitability will be achieved or that such savings will not be offset by increases in other expenses.

Nine Months Ended September 30, 1996 compared with Nine Months Ended September 30, 1995.

Net sales for the nine months ended September 30, 1996 were $1,216.5, an increase of 18.3% from $1,028.6 reported in the comparable 1995 period. Net sales from the inclusion of RBL increased net sales by approximately $243.5 or 23.7%. Acquisitions of small clinical laboratory companies increased net sales by approximately 1.4%. Such increases were partially offset by price erosion in the industry as a whole, lower utilization of laboratory testing and lost accounts, net of growth in new accounts and price increases in selective markets. Lower utilization of laboratory testing and price erosion primarily resulted from continued changes in payor mix brought on by the increase in managed care. The Company has targeted business development efforts in an attempt to become more judicious in pricing new business and is selectively repricing or discontinuing business with existing accounts not meeting Company targets. The Company has experienced some volume declines as a result of this strategy, however, the third quarter of 1996 was the first quarter since the Merger that overall prices did not decline versus the immediately preceding quarter. A reduction in Medicare fee schedules from 80% to 76% of the national limitation amounts on January 1, 1996, reduced net sales by approximately 1.3%. Severe weather in January and February of 1996 also negatively impacted net sales.

Cost of sales, which includes primarily laboratory and distribution costs, was $903.9 for the nine months ended September 30, 1996 compared to $722.4 in the corresponding 1995 period, an increase of $181.5 or 225.1%. Cost of sales increased approximately

RESULTS OF OPERATIONS - Continued

$181.9 or 5.2% due to the inclusion of the cost of sales of RBL. Costs of sales increased approximately $23.2 as a result of wage increases prior to the implementation of a six-month deferral on wage rate increases implemented on July 1, 1996, approximately $5.0 as a result of higher overtime and temporary employee expenses related to the acceleration of the Company's synergy program and other operational factors, approximately $6.0 due to higher depreciation and maintenance of lab equipment as a result of the Company's purchase of more sophisticated equipment to improve efficiency, and approximately $8.6 in outside collection and reference testing fees. These increases were partially offset by decreases in salaries and benefits of $36.9, rental of premises of $2.9 and several other expense categories aggregating approximately $3.4 primarily as a result of the Company's synergy and cost reduction programs. Cost of sales as a percentage of net sales was 74.3% for the nine months ended September 30, 1996 and 70.2% in the corresponding 1995 period. The increase in the cost of sales percentage of net sales primarily resulted from a reduction in net sales due to price erosion and utilization declines, each of which provided little corresponding reduction in costs, and, to a lesser extent, due to severe weather in January and February of 1996 and a reduction in Medicare fee schedules.

Selling, general and administrative expenses increased to $223.0 for the nine months ended September 30, 1996 from $162.3 in the same period in 1995 representing an increase of $60.7 or 37.4%. The inclusion of the selling, general and administrative expenses of RBL since April 28, 1995 increased expenses by approximately $36.5 or 22.5%. Increases in salaries, overtime and temporary employee expenses, primarily related to billing issues, and related telephone and data processing costs, aggregated approximately $15.5. Also, increased medical necessity and related diagnosis code requirements of third-party payors placed on the Company at the beginning of 1996 have resulted in increased accounts receivable balances and therefore the Company has increased its monthly provision for doubtful accounts. This resulted in an increase of approximately $3.9 in the monthly provision for doubtful accounts for the nine months ended September 30, 1996 compared to the same 1995 period. In addition to increasing the monthly provision for doubtful accounts, the Company recorded $10.0 of additional provision for doubtful accounts in the second quarter of 1996 which reflects the lower collection rates experienced beginning in the second quarter as a result of the more stringent medical necessity requirements. These increases were partially offset by decreases in legal expenses, excluding settlement expenses, of $2.0, insurance of $1.3 and several other expense categories aggregating

RESULTS OF OPERATIONS - Continued

approximately $1.9. Selling, general and administrative expenses were 18.3% and 15.8% of net sales for the nine months ended September 30, 1996 and 1995, respectively. The increase in the selling, general and administrative percentage primarily resulted from increased employee expenses related to billing and the increases in the provision for doubtful accounts discussed above and to a lesser extent, from a reduction in net sales due to price erosion and utilization declines, each of which provided little corresponding reduction in costs.

As previously discussed in the Company's December 31, 1995 10-K and June 30, 1996 10-Q, the Office of Inspector General ("OIG") of Health and Human Services and the Department of Justice ("DOJ") is investigating certain past laboratory practices of the predecessor companies of the Company - National Health Laboratories Holdings Inc., Roche Biomedical Laboratories, Inc. and Allied Clinical Laboratories, Inc. The discussions have become more active in recent months. As a result of on-going negotiations with the OIG and DOJ, the Company recorded a special charge of $185.0 (the "Settlement Charge") in the third quarter of 1996 to increase reserves for settlements and related expenses of government and private claims resulting from these investigations. Due to the fact that the negotiations are on-going, the Company is unable to predict with certainty the final outcome or payment terms of a settlement if a settlement is reached. The aggregate accrual at September 30, 1996 reflects the Company's current estimate of the cost of the settlement and related expenses but, there can be no assurance that the eventual settlement or other resolution of these matters will not have a material adverse effect upon the Company's financial condition, results of operations or cash flow. See "Liquidity and Capital Resources" below for a discussion of the impact a settlement of these matters could have on the Company's liquidity. Also see "Part II - - Other Information" for additional discussion of legal proceedings.

The increase in amortization of intangibles and other assets to $22.1 for the nine months ended September 30, 1996 from $19.2 in the corresponding period in 1995 primarily resulted from the Merger in April 1995.

Interest expense was $51.4 for the nine months ended September 30, 1996 compared with $48.5 for the same period in 1995. The change resulted primarily from increased borrowings used to finance the Merger and increased accounts receivable balances partially offset by a lower effective borrowing rate. As a result of the Fourth Amendment, which resulted in increased borrowing margins, the Company's interest rate will increase by approximately 0.625% beginning in the fourth quarter of 1996.

RESULTS OF OPERATIONS - Continued

As a result of the restructuring and non-recurring charges in 1996 and 1995, the provision for income taxes is not comparable between periods. However, before charges, the Company's effective income tax rate for the nine months ended September 30, 1996 has increased from the same 1995 period as a result of increased non-deductible amortization and lower earnings before income taxes.

Three Months Ended September 30, 1996 compared with Three Months Ended September 30, 1995.

Net sales for the three months ended September 30, 1996 were $402.6, a decrease of 3.6% from $417.5 reported in the comparable 1995 period. Acquisitions of small clinical laboratory companies increased net sales by approximately 1.0%. Price erosion in the industry as a whole, lower utilization of laboratory testing and lost accounts, net of growth in new accounts and price increases in selective markets, accounted for the primarily offsetting reduction in net sales. Lower utilization of laboratory testing and price erosion primarily resulted from continued changes in payor mix brought on by the increase in managed care. The Company has targeted business development efforts in an attempt to become more judicious in pricing new business and is selectively repricing or discontinuing business with existing accounts not meeting Company targets. The Company has experienced some volume declines as a result of this strategy, however, the third quarter of 1996 is the first quarter since the Merger that overall prices did not decline, versus the immediately preceeding quarter. A reduction in Medicare fee schedules from 80% to 76% of the national limitation amounts on January 1, 1996, reduced net sales by approximately 1.2%.

Cost of sales, which includes primarily laboratory and distribution costs, was $300.1 for the three months ended September 30, 1996 compared to $299.7 in the corresponding 1995 period. Costs of sales increased approximately $7.7 as a result of wage increases prior to the implementation of a six-month deferral on wage rate increases implemented on July 1, 1996, approximately $3.5 due to higher depreciation and maintenance of lab equipment as a result of the Company's purchase of more sophisticated equipment to improve efficiency, and approximately $3.3 in outside collection and reference testing fees. These increases were partially offset by decreases in salaries and benefits of $10.3, rental of premises of $2.9 and several other expense categories aggregating approximately $0.9 primarily as a result of the Company's synergy and cost reduction programs. Cost of sales as a percentage of net sales was 74.5% for the three months ended September 30, 1996 and 71.8% in the corresponding 1995 period. The increase in the cost of sales percentage of net sales primarily

RESULTS OF OPERATIONS - Continued

resulted from a reduction in net sales due to price erosion and utilization declines, each of which provided little corresponding reduction in costs, and, to a lesser extent, due to severe weather in January and February of 1996 and a reduction in Medicare fee schedules.

Selling, general and administrative expenses increased to $75.6 for the three months ended September 30, 1996 from $66.9 in the same period in 1995, an increase of $8.7 or 13.0%. Increases in salaries, overtime and temporary employee expenses, primarily related to billing issues, and related telephone and data processing costs, aggregated approximately $7.7. In addition, increased medical necessity and related diagnosis code requirements of third-party payors placed on the Company at the beginning of 1996 have resulted in increased accounts receivable balances and therefore the Company has increased its monthly provision for doubtful accounts. This resulted in an additional $3.2 in provision for doubtful accounts in the quarter ended September 30, 1996 compared to the same 1995 period. These increases were partially offset by decreases of approximately $2.2 primarily in legal expenses, excluding settlement expenses, and insurance. Selling, general and administrative expenses were 18.8% and 16.0% of net sales for the three months ended September 30, 1996 and 1995, respectively. The increase in the selling, general and administrative percentage primarily resulted from increased employee expenses related to billing and the increases in the provision for doubtful accounts discussed above and to a lesser extent, from a reduction in net sales due to price erosion and utilization declines, each of which provided little corresponding reduction in costs.

Interest expense was $17.7 for the three months ended September 30, 1996 compared with $17.4 for the same period in 1995. The change resulted primarily from a higher average debt balances. As a result of the Fourth Amendment, which resulted in increased borrowing margins, the Company's interest rate will increase by approximately 0.625% beginning in the fourth quarter of 1996.

As a result of the restructuring and non-recurring charges in 1996, the provision for income taxes is not comparable between periods. However, before charges, the Company's effective income tax rate for the three months ended September 30, 1996 has increased from the same 1995 period as a result of lower earnings before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by (used for) operating activities (after payment of settlement and related expenses of $1.7 and $32.1 in 1996 and 1995, respectively) for the nine months ended September 30, 1996 and 1995 was $(17.6) and $4.4, respectively. The decrease in cash flow from operations primarily resulted from an increase in accounts receivable related to increased medical necessity and related diagnosis code requirements of third-party payors placed on the Company at the beginning of 1996 and reflects the lower collection rates experienced beginning in the second quarter as a result of the more stringent requirements. In addition, increased difficulty in collecting amounts due from private insurance carriers, including certain managed care plans, has negatively impacted operating cash flow. Finally, Merger related integration issues have also resulted in increased accounts receivable balances. The Company currently has plans in place to stabilized collection rates and improve the collection of accounts receivable, such as additional billing personnel and the creation of a special task force to identify effective methods to address the more stringent requirements. To date, however, collection rates have continued to decline despite such measures 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. Capital expenditures were $46.3 and $44.3 for 1996 and 1995, respectively. The Company expects additional capital expenditures to be approximately $13.7 in 1996 to continue the Merger-related integration and to further automate laboratory processes and to improve efficiency. Such expenditures are expected to be funded by cash flow from operations as well as borrowings under the Company's revolving credit facility as discussed below.

As previously discussed in the Company's December 31, 1995 10-K and June 30, 1996 10-Q, the Office of Inspector General ("OIG") of Health and Human Services and the Department of Justice ("DOJ") is investigating certain past laboratory practices of the predecessor companies of the Company - National Health Laboratories Holdings Inc., Roche Biomedical Laboratories, Inc. and Allied Clinical Laboratories, Inc. The discussions have become more active in recent months. As a result of on-going negotiations with the OIG and DOJ, the Company recorded a special charge of $185.0 in the third quarter of 1996 to increase reserves for settlements and related expenses of government and private claims resulting from these investigations. Due to the fact that the negotiations are on-going, the Company is unable to predict with certainty the final outcome or payment terms of a settlement if a settlement is reached. The aggregate accrual at September 30,

LIQUIDITY AND CAPITAL RESOURCES - Continued

1996 reflects the Company's current estimate of the cost of the settlement and related expenses but, there can be no assurance that the eventual settlement or other resolution of these matters will not have a material adverse effect upon the Company's financial condition, results of operations or cash flow. Also see "Part II - Other Information" for additional discussion of legal proceedings.

The Company obtained waivers for the quarter ended June 30, 1996 of certain covenants contained in its existing credit agreement, as amended (the "Credit Agreement") and subsequently successfully negotiated an amendment (the "Fourth Amendment") to the Credit Agreement on September 23, 1996. The Fourth Amendment modifies the interest coverage and leverage ratios applicable to the quarters ending September 30 and December 31, 1996. The Fourth Amendment also increases the interest rate margin on its revolving credit facility (the "Revolving Credit Facility") from 0.25% to 0.875% and increases the interest rate margin on its term loan facility (the "Term Loan Facility") from 0.375% to 1.00%. As a result of the Settlement Charge taken in the third quarter of 1996, as described above, the Company obtained a waiver which excludes the special charge from covenant calculations for the periods covered by the most recent amendment. Because of the limited period covered by the Fourth Amendment, approximately $998 million of the Company's debt that otherwise would have been classified as long-term has been classified as current in the September 30, 1996 consolidated balance sheet. Such classification has created, and payments which may become due in connection with an OIG settlement, as discussed above, could worsen, a material deficiency in short-term liquidity.

The Company has commenced a comprehensive analysis of its capital structure and is considering a range of alternatives for recapitalizing its balance sheet including equity and/or debt financing from both public and private sources. Because of the complexity and time frame necessary to complete any recapitalization, there can be no assurance of its completion. The Company will be required to obtain an additional waiver or amendment to the Credit Agreement at the earlier of thirty days following the completion of a settlement with the OIG or March 31, 1997, if the Company is unable to complete a recapitalization within such time period. There can be no assurance that such a waiver or amendment can be obtained.

As of September 30, 1996 the Company had available, under the Credit Agreement, a revolving credit facility of $450.0 (the "Revolving Credit Facility"). Borrowings under the Revolving Credit Facility were $361.0 as of September 30, 1996, however, in October 1996, the Company borrowed an additional $60.0 to meet a scheduled payment on the Term Loan Facility and provide cash for operations. Cash and cash equivalents on hand and additional

LIQUIDITY AND CAPITAL RESOURCES - Continued

borrowing capabilities of $29.0 under the Revolving Credit Facility are expected to be sufficient to meet anticipated operating requirements, debt repayments and provide funds for capital expenditures and working capital for the near term, however, further deterioration in cash flow from operations in the fourth quarter of 1996, payments which may become due in connection with an OIG settlement, or the failure to secure additional equity and/ or debt financing in the first quarter of 1997 could result in a cash deficiency.

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 million 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 nine months ended September 30, 1996 were approximately $1.5. 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 loss on such agreements was approximately $1.7 at October 31, 1996.

See Note 6 of the Notes to Unaudited Consolidated Financial Statements which sets forth the Company's restructuring activities for 1996. Future cash payments under the restructuring plan are expected to be $14.8 over the next twelve months and $14.1 thereafter.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

As previously discussed in the Company's December 31, 1995 10-K (the "1995 10-K"), the Office of Inspector General ("OIG") of Health and Human Services and the Department of Justice ("DOJ") is investigating certain past laboratory practices of NHL, RBL, and Allied Clinical Laboratories, Inc. ("Allied"), a Company subsidiary. These investigations and related settlement discussions have become more active in recent months. If settlement is not reached, the government is likely to proceed to trial on civil and possibly criminal claims. If the OIG or DOJ were to successfully prove a violation of laws related to the Medicare and Medicaid programs, potential sanctions may include significant fines, recovery of treble amounts paid to the clinical laboratory for the tests involved, and in the case of a criminal conviction, mandatory exclusion from the Medicare and Medicaid programs for a period of at least five years. A successful prosecution of a civil fraud or false claims action could also result in the exercise of the OIG's authority to seek the permissive exclusion of the offending entity or entities from participation in the Medicare and Medicaid programs for a set period of years. Although neither the 1992 Government Settlement entered into by NHL (as more fully discussed in the 1995 10-K) nor, based on published reports, any settlement agreements with the OIG entered into by other major clinical laboratory companies, provided for the exclusion from participation in the Medicare and Medicaid programs, there can be no assurance that the Company will be able to negotiate settlement agreements with similar terms. Any such exclusion would likely have a material adverse effect on the Company, including on the Company's non-Medicare and non-Medicaid testing business. As a result of on-going negotiations with the OIG and DOJ, the Company recorded the Settlement Charge of $185.0 in the third quarter of 1996 to increase reserves for settlements and related expenses of government and private claims resulting from these investigations. Due to the fact that the negotiations are on-going, the Company is unable to predict with certainty the final outcome or payment terms of a settlement if a settlement is reached. The aggregate accrual at September 30, 1996 reflects the Company's current estimate of the cost of the settlement and related expenses but, there can be no assurance that the eventual settlement or other resolution of these matters will not have a material adverse effect upon the Company's financial condition, results of operations or cash flow.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10	Third Waiver to the Credit Agreement dated as of November 4, 1996 among the Company, the banks named therein and Credit Suisse (New York Branch) as Administrative Agent. (a)
10.1	Fourth Amendment to the Credit Agreement dated as of September 23, 1996 among the Company, the banks named therein and Credit Suisse (New York Branch) as Administrative Agent.(b)
10.2	Special Severance Agreement dated June 28, 1996 between the Company and Timothy J. Brodnik.(c)
10.3	Special Severance Agreement dated July 12, 1996 between the Company and John F. Markus.(c)
10.4	Special Severance Agreement dated June 28, 1996 between the Company and Robert E. Whalen. (c)
10.5	Laboratory Corporation of America Holdings Master Senior Executive Severance Plan.(c)
20	Press release of the Registrant dated September 27, 1996. (b)
20.1	Press release of the Registrant dated November 14, 1996. (a)
27	Financial Data Schedule (electronically filed version only).

(b) Reports on Form 8-K

1) A report on Form 8-K dated September 23, 1996 was filed on September 30, 1996 in connection with Fourth Amendment to the Credit Agreement dated September 23, 1996.

2) A report on Form 8-K dated October 24, 1996 was filed on October 24, 1996 in connection with certain changes in executive officers of the Registrant.

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(a) Filed herewith
(b) Incorporated by reference herein to the report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on September 30, 1996.
(c) Incorporated by reference herein to the report on Form 8-K filed with the SEC on October 24, 1996.

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/ WESLEY R. ELINGBURG

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

Date: November 14, 1996

THIRD WAIVER TO CREDIT AGREEMENT

THIRD WAIVER TO CREDIT AGREEMENT, dated as of November 4, 1996 (this "Waiver"), by the Required Lenders, in favor of the Borrower (each such term as defined in the Credit Agreement referred to below).

Reference is made to the Credit Agreement dated as of April 28, 1995 (as heretofore amended, the "Credit Agreement") among Laboratory Corporation of America Holdings (formerly known as National Health Laboratories Holdings Inc.) (the "Borrower"), the Banks identified therein and Credit Suisse (New York Branch), as Administrative Agent thereunder. Unless otherwise defined herein, the terms defined in the Credit Agreement are used herein as therein defined.

ARTICLE I

WAIVERS

SECTION 1.01. Special Charge. The undersigned Required Lenders hereby waive compliance by the Borrower with the covenants set forth in Sections 5.01(i), 5.01(j) and 5.01(k) of the Credit Agreement, solely in respect of the Borrower's four fiscal quarters ending September 30, 1996 and December 31, 1996 (in the case of Sections 5.01(i) and 5.01(j)) or as of September 30, 1996 and December 31, 1996 (in the case of Section 5.01(k)); provided that in each case:

(a) such covenants are complied with no later than March 31, 1997;

(b) such covenants would be complied with in respect of the Borrower's four fiscal quarters ending September 30, 1996 and December 31, 1996 (or as of September 30, 1996 and December 31, 1996 with respect to the covenant set forth in Section 5.01(k)) had the Borrower not taken a special charge against operating income of no more than $185 million (or a net after-tax charge of no more than $150 million) in the Borrower's fiscal quarter ending September 30, 1996 (the "Special Charge") for the estimated cost to settle claims made by the Office of Inspector General of the U.S. Department of Health and Human Services and other third party payor claimants regarding billing disputes to which the Borrower or any of its Subsidiaries is a party; and

(c) the schedules furnished by the Borrower with the financial statements for the fiscal quarters ending September 30, 1996 and December 31, 1996 pursuant to Section 5.01(l)(iii)(B) of the Credit Agreement include computations with respect to the covenants contained in Sections 5.01(i), 5.01(j) and 5.01(k) of the Credit Agreement both including and excluding the Special Charge described above.

Notwithstanding any contrary provision in the Credit Agreement, it is expressly agreed that solely for purposes of Section 3.02(ii) of the Credit Agreement during the period commencing January 1, 1997 through March 31, 1997, the Special Charge shall not be included in the calculation, on a pro forma basis, of the Leverage Ratio, the Interest Coverage Ratio or Stockholders' Equity.

SECTION 1.02 Termination of Waiver. Notwithstanding any contrary provision herein, unless earlier terminated the effectiveness of this Waiver shall terminate thirty (30) days after the date the settlement with the Office of Inspector General of the U.S. Department of Health and Human Services becomes binding on the Borrower unless the Required Lenders shall consent in writing to extend the effectiveness of this Waiver.

ARTICLE II

MISCELLANEOUS

SECTION 2.01. Governing Law. This Waiver shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law principles thereof.

SECTION 2.02. Execution in Counterparts. This Waiver may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Waiver by facsimile shall be effective as delivery of a manually executed counterpart of this Waiver.

SECTION 2.03. Effect on the Credit Agreement. Except as expressly modified hereby, all of the terms and conditions of the Credit Agreement shall remain unaltered and in full force and effect. This Waiver shall become effective as of the date first above written when counterparts hereof shall have been executed by the Required Lenders. This Waiver is subject to the provisions of Section 8.01 of the Credit Agreement.

Each of the undersigned has caused this Waiver to be executed by its respective officer or officers thereunto duly authorized, as of the date first written above.

BORROWER: LABORATORY CORPORATION OF AMERICA HOLDINGS

By: /s/ WESLEY R. ELINGBURG

Name: Wesley R. Elingburg
Title: Executive Vice President, Chief Financial Officer and Treasurer

ADMINISTRATIVE AGENT: CREDIT SUISSE (NEW YORK BRANCH), as Administrative Agent

By: /s/ IRA LUBINSKY

Name: Ira Lubinsky
Title: Associate

and

By: /s/ SEAN BERNARD

Name: Sean Bernard
Title: Associate

LENDERS: CREDIT SUISSE (NEW YORK BRANCH)

By: /s/ KARL STUDER

Name: Karl Studer
Title: Member of Senior Management

By: /s/ DANIELA HESS

Name: Daniela Hess
Title: Associate

BANK OF AMERICA ILLINOIS

By: /s/ WENDY L. LORING

Name: Wendy L. Loring
Title: Vice President

BANQUE NATIONALE DE PARIS

By: /s/ RICHARD L. STED

Name: Richard L. Sted
Title: Senior Vice President

By: /s/ BONNIE G. EISENSTAT

Name: Bonnie G. Eisenstat
Title: Corporate Banking Division

BAYERISCHE LANDESBANK GIROZENTRALE

By: /s/ WILFRIED FREUDENBERGER

Name: Wilfried Freudenberger
Title: Executive Vice President
and General Manager

By: /s/ PETER OBERMANN

Name: Peter Obermann
Title: Senior Vice President
Manager Lending Division

THE CHASE MANHATTAN BANK

By: /s/ SCOTT S. WARD

Name: Scott S. Ward

Title: Vice President

CREDIT LYONNAIS CAYMAN ISLAND BRANCH

By: /s/ FARBOUD TAVANGAR

Name: Farboud Tavangar
Title: Authorized Signature

DEUTSCHE BANK AG NEW YORK BRANCH
and/or CAYMAN ISLANDS BRANCH

By: /s/ WOLF A. KLUGE

Name: Wolf A. Kluge
Title: Vice President

By: /s/ ERIKA M. STEVER

Name: Erika M. Stever
Title: Associate

FIRST UNION NATIONAL BANK

By: /s/ ANN M. DODD

Name: Ann M. Dodd
Title: Senior Vice President

THE FUJI BANK, LTD. (NEW YORK BRANCH)

By: /s/ MASANOBU KOBAYASHI

Name: Masanobu Kobayashi

Title: Vice President & Manager

NATIONSBANK, N.A.

By: /s/   MICHAEL SYLVESTER

   Name: Michael Sylvester
   Title: Officer

SOCIETE GENERALE

By: /s/ RICHARD CUENE-GRANDIDIER

Name: Richard Cuene-Grandidier
Title: Vice President

SUMITOMO BANK

By: /s/ SURESH S. TATA

Name: Suresh S. Tata
Title: Senior Vice President

SWISS BANK CORPORATION

By: /s/ HANNO HUBER

Name: Hanno Huber
Title: Associate Director
Corporate Clients
Switzerland

By: /s/ GUIDO W. SCHULER

Name: Guido W. Schuler
Title: Executive Director
Corporate Clients
Switzerland

WACHOVIA BANK OF GEORGIA, N.A.

By: /s/ HOLGER B. EBERT

Name: Holger B. Ebert
Title: Vice President

WESTDEUTSCHE LANDESBANK

By: /s/ DONALD F. WOLF

Name: Donald F. Wolf
Title: Vice President

By: /s/ CATHERINE RUHLAND

Name: Catherine Ruhland
Title: Vice President

COMMERZBANK AKTIENGESELLSCHAFT,
Atlanta Agency

By: /s/ ANDREAS K. BREMER

Name: Andreas K. Bremer
Title: Senior Vice President

By: /s/ HARRY K. BREMER

Name: Harry K. Bremer
Title: Vice President

BANK BRUSSELS LAMBERT,
New York Branch

By: /s/

Name:
Title:

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
Summarized Financial Information
(Dollars in Millions, except per share data)

	Three Months Ended September 30, (1) Before Charges 1996	(1) After Charges 1996	1995	Nine Months Ended September 30, (1) Before Charges 1996	(1) After Charges 1996	(1) Before Charges and Extra ordinary Item 1995	(1) After Charges 1995	o
Net sales	$ 402.6	$ 402.6	$ 417.5	$ 1,216.5	$ 1,216.5	$ 1,028.6	$ 1,028.6	
Operating income (loss)	$ 19.6	$(165.4)	$ 43.2	$ 77.5	$ (140.5)	$ 124.7	$ 49.7	
Earnings (loss) before income taxes and extraordinary item	$ 2.5	$(182.5)	$ 26.2	$ 27.6	$ (190.4)	$ 77.4	$ 2.3	
Provision for income taxes	(2.1)	36.1	(11.8)	(15.4)	35.7			(
Earnings (loss) before extraordinary item	$ 0.4	$(146.4)	$ 14.4	$ 12.2	$ (154.7)	$ 42.4		
Extraordinary Item - Loss on early extinguishment of debt, net of income tax benefit of $5.2	-	-	-	-	-			
Net earnings (loss)	$ 0.4	$(146.4)	$ 14.4	$ 12.2	$ (154.7)	$ 42.4	$ (12.7)	
Earnings (loss) per common share (2):								
Earnings (loss) per common share before extraordinary item	-	$ (1.19)	$ 0.12	$ 0.10	$ (1.26)	$ 0.40	$ (0.04)	
Extraordinary loss per common share	-	-	-	-				
Net earnings (loss) per common share	-	$(1.19)	$ 0.12	$ 0.10	$ (1.26)	$ 0.40		$

(1) Charges in 1996 include $185.0 million for settlements and related expenses in the quarter ended September 30,1996, $23.0 million for restructuring and other non-recurring items and $10.0 million to increase the provision for doubtful accounts in the second quarter of 1996. Charges in 1995 include $65.0 million for restructuring related to the merger with Roche Biomedical Laboratories, Inc. on April 28, 1995 and a $10.0 million provision for settlements related to various matters including billing matters.

(2) Earnings (loss) per common share are based on the weighted average number of shares outstanding during the three- and nine-month periods ended September 30, 1996 of 122,922,495 shares and 122,917,281 shares, respectively and the weighted average number of shares outstanding during the three- and nine-months ended September 30, 1995 of 122,908,722 shares and 106,424,055 shares, respectively.

FOR IMMEDIATE RELEASE

Contact: Pamela Sherry
Telephone: (910)584-5171 Ext. 6768

LABORATORY CORPORATION OF AMERICA REPORTS RESULTS FOR THIRD QUARTER

Announces Special Charge of $185.0 Million Related to Ongoing Government Investigations

Continues to Develop Recapitalization Program

Burlington, NC, November 14, 1996 -- Laboratory Corporation of America Holdings (LabCorp) (NYSE: LH) today announced results for the third quarter and nine months ended September 30, 1996.

Third Quarter Results

Net sales for the three months ended September 30, 1996, were $402.6 million, versus $417.5 million in the third quarter of 1995. The Company posted operating income in the third quarter of 1996 of $19.6 million, before a special pretax charge of $185.0 million. This compares with operating income of $43.2 million in the prior year period. Before the third quarter charge in 1996, net income was $0.4 million. This compares to net income of $14.4 million and earnings per share of $0.12 for the same period in 1995. After the special charge, LabCorp had an operating loss of $165.4 million and a net loss of $146.4 million or $1.19 per share.

The third quarter 1996 special charge is to increase reserves for anticipated government and private claims resulting from the government's industry-wide investigations of certain past laboratory marketing practices at a number of laboratories, including those of LabCorp's predecessor companies -- National Health Laboratories Holdings Inc. (NHL), Roche Biomedical Laboratories, Inc. (RBL) and Allied Clinical Laboratories, Inc., a Company subsidiary. As previously disclosed, these investigations and related settlement discussions have become more active in recent months. Due to the nature of these discussions, the Company is still unable to predict with certainty the final outcome of these negotiations.

"We have made great progress in our negotiations with the government on the matters at hand," said Dr. James B. Powell, President and Chief Executive Officer. "As we near a resolution, we look forward to putting all outstanding issues behind us. Importantly, we have been working with the government to help establish clear industry guidelines. These guidelines will be of great value in ensuring consistent future compliance with regulatory standards that have been the focal point of government investigations."

Nine Month Results

Net sales for the nine month period ended September 30, 1996, were $1,216.5 million. Operating income for the nine month period ended September 30, 1996, before special pretax charges was $77.5 million, net income $12.2 million and earnings per share $0.10. The special charges were $23.0 million related to additional merger restructuring and nonrecurring charges and $10.0 million to increase the allowance for doubtful accounts, occurring in the second quarter, and the previously mentioned third quarter charge. After the special charges in 1996, the Company posted a nine month operating loss of $140.5 million and a net loss of $154.7 million or $1.26 per share.

The 1995 nine month results reflect the April 28, 1995, merger of LabCorp's predecessor companies -- NHL and RBL -- and, therefore, are not directly comparable to the same period in 1996. For the nine months ended September 30, 1995, net sales were $1,028.6 million, operating income was $124.7 million, net earnings were $42.4 million, and net earnings per share were $0.40, before a special charge in the second quarter of 1995 of $75.0 million relating to initial merger restructuring and other provisions and before an extraordinary loss of $8.3 million, net of taxes, related to the early extinguishment of debt in connection with the merger on April 28, 1995. After the special charge and extraordinary loss in 1995, LabCorp had operating income of $49.7 million, a net loss of $12.7 million and a net loss per share of $0.12.

Key Factors Affecting Results

"Volume erosion, largely due to the prevailing influence of managed care on utilization, but also impacted by the Company's more disciplined approach to poorly priced volume, continued to impact our results for the quarter," said Dr. Powell. "As we see volume declines from these factors, we are prepared to adjust our cost structure further. Even though our prices were lower than the prior year comparable period, this is the first quarter since the merger that we have seen a stabilization in pricing compared to the immediately preceding quarter."

Lower collection rates and higher bad debt expense related to medical necessity and diagnosis code requirements of third-party payors also impacted results. "These regulatory changes are fundamentally affecting the current and future practice of medicine," said Dr. Powell. "Recognizing that the requirements dramatically affect not only the way labs bill and collect, but the specific way physicians must order and document the medical necessity of their test requests, we have intensified our efforts to stabilize our accounts receivable through education, training, internal control systems, and the redesign of test order forms. We have also contracted for an independent third-party review of our billing processes to identify improvements that simplify and expedite collections. Although the results of these programs are not immediately evident, we believe they will benefit LabCorp's future collection rates and cash flow."

Dr. Powell concluded, "These results are disappointing but consistent with industry trends. Even though pricing has stabilized in the quarter, we will continue to monitor this critical aspect of our business closely in order to respond quickly to any opportunities. Future quarterly performance will still be difficult to predict because of volume variances and the lag time to adjust capacity and costs more appropriately to volume. As a result, we must adhere to our strategies of increasing prices and implementing other cost cutting initiatives in addition to building volume from new strategic alliances and institutional relationships."

LabCorp indicated that it is making progress in its merger-related cost savings programs, with the programs continuing on schedule with respect to timing and amount of savings achieved. Other expense control measures initiated by the Company are also achieving desired results.

Recent Alliances and Acquisitions

During the quarter, LabCorp made progress in its strategic alliance program when it entered into an agreement with Arcon HealthCare Inc. of Nashville, Tennessee, to provide laboratory management and reference testing services to Arcon's healthcare centers planned throughout rural regions of the Southeast and West. LabCorp also entered into an agreement with Desert Hospital of Palm Springs, California, to manage its hospital laboratory operation.

In early November, LabCorp completed the acquisition of Genetic Design, Inc., a Greensboro, North Carolina genetic testing laboratory, in an asset purchase transaction. The acquisition complements LabCorp's existing paternity testing operation at its Burlington, North Carolina laboratory.

Financial Update

As previously announced, the Company obtained waivers for the quarter ended June 30, 1996, of certain covenants contained in its existing credit agreement, and subsequently successfully negotiated an amendment to the agreement. The amendment modifies the interest coverage and leverage ratios applicable to the quarters ending September 30 and December 31, 1996, and results in increased interest rate margins through the periods covered by the amendment. As a result of the special charge taken in the third quarter of 1996, LabCorp obtained an additional waiver which excludes the special charge from covenant calculations for the periods covered by the most recent amendment. The Company's ability to satisfy payments which may become due in connection with a settlement agreement is dependent upon a successful recapitalization of the Company, which is in its very preliminary stages. While LabCorp cannot be assured of a successful recapitalization, it believes that both public and private sources of funds may be available to it to complete such a program by March 31, 1997. LabCorp will be required to obtain an additional waiver or amendment to its credit agreement at the earlier of 30 days following the completion of a settlement agreement or March 31, 1997, if a recapitalization is not completed within such time periods. There can be no assurance that such a waiver or amendment can be obtained.

The Company noted that each of the above forward-looking statements was 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. 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, 1995.

Laboratory Corporation of America Holdings (LabCorp) is a national clinical laboratory organization with estimated annualized revenues of $1.6 billion. The Company operates primary testing facilities nationally, offering more than 1,700 different clinical assays, from routine blood analysis to more sophisticated technologies. LabCorp performs diagnostic tests for physicians, managed care organizations, hospitals, clinics, long-term care facilities, industrial companies and other clinical laboratories.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES CONSOLIDATED CONDENSED 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-31-1996
SEP-30-1996
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593,900
99,500
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