

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 JUNE 30, 1998

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 (IRS Employer
incorporation or organization) Identification No.)

358 SOUTH MAIN STREET, BURLINGTON, NORTH CAROLINA 27215

(Address of principal executive offices) (Zip code)

(336) 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 ☒ No ☐

The number of shares outstanding of the issuer's common stock is 125,252,812
shares as of July 31, 1998, 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 July 31, 1998, of which 8,325,000 are held by an
indirect wholly owned subsidiary of Roche Holding Ltd.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	JUNE 30,	DECEMBER 31,
	1998	1997

ASSETS

Current assets:

Cash and cash equivalents	\$ 15.5	\$ 23.3
Accounts receivable, net	356.2	330.6
Inventories	29.9	36.0
Prepaid expenses and other	17.4	16.9

Deferred income taxes	37.5	112.0
Income taxes receivable	--	8.8
	-----	-----
Total current assets	456.5	527.6
Property, plant and equipment, net	254.7	254.9
Intangible assets, net	832.8	851.3
Other assets, net	25.3	24.7
	-----	-----
	\$1,569.3	\$1,658.5
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 51.2	\$ 55.9
Accrued expenses and other	145.6	140.7
Current portion of long-term debt	23.2	--
	-----	-----
Total current liabilities	220.0	196.6
Revolving credit facility	--	40.0
Long-term debt, less current portion	620.6	643.8
Capital lease obligation	4.9	5.8
Other liabilities	79.4	142.3
Commitments and contingent liabilities	--	--

Mandatorily redeemable preferred stock

(30,000,000 shares authorized):

Series A 8 1/2% Convertible

Exchangeable Preferred Stock, \$0.10

par value, 4,363,178 and 4,363,202

shares issued and outstanding at

June 30, 1998 and December 31, 1997,

respectively (aggregate preference

value of \$218.2)

212.6

Series B 8 1/2% Convertible

Pay-in-Kind Preferred Stock, \$0.10

par value, 6,145,587 and 5,892,495

shares issued and outstanding at June

30, 1998 and December 31, 1997,

respectively (aggregate preference

value of \$307.3)

288.3

Shareholders' equity:

Common stock, \$0.01 par value;

520,000,000 shares authorized;

124,506,673 and 123,542,614

shares issued and outstanding at

June 30, 1998 and December 31,

1997, respectively

1.2

1.2

Additional paid-in capital

414.4

412.8

Accumulated deficit

(285.5)

(284.9)

Total shareholders' equity

130.1

129.1

\$1,569.3

\$1,658.5

=====

=====

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

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

SIX MONTHS ENDED	THREE MONTHS ENDED
JUNE 30,	JUNE 30,
-----	-----

	1998	1997	1998	1997
	-----	-----	-----	-----
Net sales	\$ 759.1	\$ 781.1	\$ 386.1	\$ 389.6
Cost of sales	513.5	548.9	257.8	271.7
	-----	-----	-----	-----
Gross profit	245.6	232.2	128.3	117.9
Selling, general and administrative expenses	163.7	158.2	83.4	79.3
Amortization of intangibles and other assets	15.2	15.4	7.5	7.7
	-----	-----	-----	-----
Operating income	66.7	58.6	37.4	30.9
Other income (expenses):				
Gain/(loss) on sale of assets	1.9	--	(0.1)	--
Investment income	0.6	1.4	0.2	0.6
Interest expense	(25.0)	(43.9)	(12.1)	(21.3)
	-----	-----	-----	-----
Earnings before income taxes	44.2	16.1	25.4	10.2
Provision for income taxes	22.1	9.7	12.6	6.1
	-----	-----	-----	-----
Net earnings	22.1	6.4	12.8	4.1
Less preferred stock dividends	22.3	1.2	11.3	1.2
Less accretion of mandatorily redeemable preferred stock	0.4	--	0.2	--
	-----	-----	-----	-----
Net earnings (loss) attributable to common shareholders	\$ (0.6)	\$ 5.2	\$ 1.3	\$ 2.9
	=====	=====	=====	=====
Basic and diluted earnings (loss) per common share	\$ (0.00)	\$ 0.04	\$ 0.01	\$ 0.02
	=====	=====	=====	=====

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

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

SIX MONTHS ENDED
JUNE 30,

	1998	1997
	-----	-----

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings	\$ 22.1	\$ 6.4
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net decrease in restructuring reserves	(3.8)	(6.4)
Net gain on disposals	(1.9)	--
Depreciation and amortization	42.7	43.8
Deferred income taxes, net	15.0	7.4
Change in assets and liabilities,		

net of effects of acquisitions:		
Increase in accounts receivable, net	(27.4)	(12.5)
Decrease in inventories	6.0	3.3
Increase in prepaid expenses and other	(0.5)	(1.2)
Change in income taxes receivable/payable, net	8.8	59.4
Decrease in accounts payable	(4.7)	(13.1)
Increase in accrued expenses and other	11.0	(6.3)
Other, net	(1.8)	(6.4)
	-----	-----
Net cash provided by operating activities	65.5	74.4
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(28.7)	(7.8)
Proceeds from sale of assets	12.3	--
Refund of lease guaranty	8.0	--
Acquisition of businesses	(10.4)	--
	-----	-----
Net cash used for investing activities	(18.8)	(7.8)
	-----	-----

(continued)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	SIX MONTHS ENDED JUNE 30,	
	1998	1997
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	\$ 10.0	\$ 25.0
Payments on revolving credit facilities	(50.0)	(321.0)
Payment on loan from affiliate	--	(187.0)
Payments on long-term debt	--	(68.8)
Payments on long-term lease obligations	(0.8)	--
Deferred payments on acquisitions	(6.0)	(1.8)
Net proceeds from sale of redeemable preferred stock	--	487.1
Net proceeds from issuance of stock to employee stock plan	--	1.4
Payment of preferred stock dividends	(9.2)	--
Cash received for issuance of common stock	1.5	--
	-----	-----
Net cash used for financing activities	(54.5)	(65.1)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(7.8)	1.5
Cash and cash equivalents at		

beginning of period	23.3	29.3
	-----	-----
Cash and cash equivalents at end of period	\$ 15.5	\$ 30.8
	=====	=====

Supplemental schedule of cash
flow information:

Cash (paid) received during the period
for:

Interest	\$ (25.7)	\$ (46.1)
Income taxes	13.7	60.7

Disclosure of non-cash financing
and investing activities:

Preferred stock dividends	13.0	0.7
Accretion of mandatorily redeemable preferred stock	0.4	--

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

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The condensed 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 condensed consolidated financial statements of the Company are unaudited. In the opinion of management, all adjustments (which include only normal recurring accruals) necessary for a fair presentation of such financial statements have been included. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company's annual report. Therefore, the interim statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's annual report.

2. EARNINGS PER SHARE

Basic and diluted earnings (loss) per share are based upon the weighted average number of shares outstanding during the three- and six- months ended June 30, 1998 of 124,506,673 shares and 124,452,465 shares, respectively, and the weighted average number of shares outstanding during the three- and six-months ended June 30, 1997 of 122,935,080.

The effect of conversion of the Company's redeemable preferred stock, or exercise of certain of the Company's stock options or warrants was not included in the computation of diluted earnings per common share as it would have been anti-dilutive for all applicable periods presented.

3. RESTRUCTURING RESERVES

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

	Severance costs	Asset revaluations and write-offs	Lease and other facility obligations	Total
	-----	-----	-----	-----
Balance at December 31, 1997	3.7	4.0	30.9	38.6
Cash payments	(1.0)	(0.4)	(2.4)	(3.8)
	-----	-----	-----	-----
Balance at June 30, 1998	\$ 2.7	\$ 3.6	\$ 28.5	\$ 34.8

	=====	=====	=====	=====
Current				\$ 18.6
Non-current				16.2

				\$ 34.8
				=====

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

4. BUSINESS ACQUISITION

During June, the Company completed its acquisition of certain of the assets of Medlab, Inc. for an aggregate purchase price of approximately \$9.3. Medlab, Inc. is located in Wilmington, Delaware and has annual sales of approximately \$22.0.

5. NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Both Statements are effective for fiscal years beginning after December 15, 1997. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in financial statements. SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. SFAS No. 131 requires presentation of segment information under the "management approach," which aligns segments disclosure with the way that management organizes the segments within the enterprise for making operational decisions and assessing performance.

In February 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits." This Statement is effective for fiscal years beginning after December 15, 1997. The objective of SFAS No. 132 is to provide financial statement users with more comparable, understandable and concise information concerning the employer's obligations to fund retirement plans and provide postretirement benefits. The Statement only applies to disclosures and does not address the measurement of the employer's obligation.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement is effective for fiscal years beginning after June 15, 1999 and standardizes the accounting for derivative instruments by requiring that an entity recognize those items as assets or liabilities and measure them at fair value.

The Company has no elements of other comprehensive income, as defined in SFAS No. 130, for the six months ended June 30, 1998 and 1997. Management has not yet completed its assessment of how the other standards listed above will impact existing disclosures. The Company will adopt these standards in the required periods.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(DOLLARS IN MILLIONS)

OVERVIEW

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, 1997, 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.

RESULTS OF OPERATIONS

Three Months ended June 30, 1998 compared with Three Months ended June 30, 1997.

Net sales for the three months ended June 30, 1998 were \$386.1, a decrease of approximately 1% from \$389.6 reported in the comparable 1997 period. The sales decline was a result of lower testing volume, attributable to changes in physicians ordering patterns caused by new government and private reimbursement policies, and hospitals aggressively competing in the outpatient testing market. The Company's price per accession increased 3.5% in comparison to the corresponding 1997 quarter.

Cost of sales, which includes primarily laboratory and distribution costs, was \$257.8 for the three months ended June 30, 1998 compared to \$271.7 in the corresponding 1997 period, a decrease of \$13.9. Cost of sales decreased approximately \$2.3 due to the decrease in volume, approximately \$4.4 due to a decrease in personnel expenses and approximately \$7.2 primarily relating to testing supplies, maintenance, outside reference testing, and rental expense categories as a result of the Company's cost reduction programs. Cost of sales

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (DOLLARS IN MILLIONS)

as a percentage of net sales was 66.8% for the three months ended June 30, 1998 and 69.7% in the corresponding 1997 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 \$83.4 for the three months ended June 30, 1998 from \$79.3 in the same period in 1997. This increase is primarily due to higher personnel expenses, and selling and marketing related expenses. Total bad debt expense decreased approximately \$0.2, or 0.1% of net sales, from the comparable 1997 period. As a percentage of net sales, selling, general and administrative expenses were 21.6% and 20.4% for the three months ended June 30, 1998 and 1997, respectively. The increase in the selling, general and administrative percentage primarily resulted from the factors noted above.

The amortization of intangibles and other assets was \$7.5 and \$7.7 for the three months ended June 30, 1998 and 1997, respectively.

Net interest expense was \$12.1 for the three months ended June 30, 1998 compared with \$21.3 for the same period in 1997. The change resulted primarily from decreased borrowings resulting from the Company's recapitalization in June, 1997 and payments made to reduce the Company's revolving credit facility.

The provision for income taxes as a percentage of earnings before taxes was 49.6% for the three months ended June 30, 1998 compared to 59.8% for the three months ended June 30, 1997. The Company's effective tax rate is significantly impacted by non-deductible amortization of intangible assets. As earnings before income taxes increases, this non-deductible amortization decreases in proportion to such earnings resulting in a decrease in the

effective tax rate.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED WITH SIX MONTHS ENDED JUNE 30, 1997.

Net sales for the six months ended June 30, 1998 were \$759.1, a decrease of approximately 3% from \$781.1 reported in the comparable 1997 period. Sales declined 4.5% as a result of lower testing volume, which is a result of industry-wide trends. The decline in sales resulting from volume declines was partially offset by an increase in price per accession of approximately 2% from the comparable 1997 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 that do not meet Company profitability targets and other price increases.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(DOLLARS IN MILLIONS)

Cost of sales, which includes primarily laboratory and distribution costs, was \$513.5 for the six months ended June 30, 1998 compared to \$548.9 in the corresponding 1997 period, a decrease of \$35.4. Cost of sales decreased approximately \$10.6 due to the decrease in volume, approximately \$15.9 due to a decrease in personnel expenses and approximately \$8.9 primarily relating to testing supplies, consulting fees, maintenance and rental expense categories as a result of the Company's cost reduction programs. Cost of sales as a percentage of net sales was 67.6% for the six months ended June 30, 1998 and 70.3% in the corresponding 1997 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 \$163.7 for the six months ended June 30, 1998 from \$158.2 in the same period in 1997. This increase is primarily due to higher personnel expenses, and selling and marketing related expenses. Total bad debt expense decreased approximately \$0.7, or 0.2% of net sales, from the comparable 1997 period. As a percentage of net sales, selling, general and administrative expenses were 21.6% and 20.3% for the six months ended June 30, 1998 and 1997, respectively. The increase in the selling, general and administrative percentage primarily resulted from the factors noted above.

The amortization of intangibles and other assets was \$15.2 and \$15.4 for the six months ended June 30, 1998 and 1997, respectively.

Net interest expense was \$24.9 for the six months ended June 30, 1998 compared with \$44.0 for the same period in 1997. The change resulted primarily from decreased borrowings resulting from the Company's recapitalization in June, 1997 and payments made to reduce the Company's revolving credit facility.

The provision for income taxes as a percentage of earnings before taxes was 50.0% for the six months ended June 30, 1998 compared to 60.2% for the six months ended June 30, 1997. The Company's effective tax rate is significantly impacted by non-deductible amortization of intangible assets. As earnings before income taxes increases, this non-deductible amortization decreases in proportion to such earnings resulting in a decrease in the effective tax rate.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(DOLLARS IN MILLIONS)

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$65.5 and \$74.4 for the six months ended June 30, 1998 and June 30, 1997, respectively. The decrease in cash flow from operations primarily resulted from a decrease in income tax refunds and an increase in accounts receivable offset by improved earnings

and an increase in accrued expenses. Capital expenditures were \$28.7 and \$7.8 for 1998 and 1997, respectively. The Company expects capital expenditures to be approximately \$70.0 in 1998 to further automate laboratory and billing processes to improve efficiency. Such expenditures are expected to be funded by cash flow from operations as well as borrowings under the Company's credit facilities. The Company received approximately \$12.3 in proceeds from the sale of assets and an additional \$8.0 refund of a lease guaranty and made payments for business acquisitions in the amount of approximately \$10.4.

During 1996 and 1997, the Company experienced a deterioration in the timeliness of cash collections and a corresponding increase in accounts receivable. The primary causes of this situation were the increased medical necessity and related diagnosis code requirements from third-party payors and the complexities in the billing process (data capture) arising from changing requirements of private insurance companies (managed care). The Company's cash collection rates, as a percentage of sales, have improved 1.4% as compared to the first six months of 1997. In the second quarter of 1998, the Company's days sales outstanding remained stable in comparison to the preceding two quarters. Although the Company continues to work towards reducing the overall number of days sales outstanding, 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 the previously mentioned factors, to reduce accounts receivable balances.

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 flows from operations and additional borrowing capabilities under the Amended Revolving Credit Facility are expected to be sufficient to meet anticipated operating requirements and provide funds for capital expenditures and working capital for the foreseeable future.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(DOLLARS IN MILLIONS)

REGULATION AND REIMBURSEMENT

On April 1, 1997, the Health Care Financing Administration's (HCFA) new Automated Chemistry Profile Rules went into effect. The policy, which was developed by HCFA working with the American Medical Association, eliminates the old commonly used "19-22 test" automated chemistry profile, sometimes referred to as a "SMAC" and replaces it with four new panels of "clinically relevant" automated tests (each containing from 4 to 12 chemistry tests). The Company believes that it has taken all steps necessary to be in compliance with the new HCFA requirements.

As discussed in the First Quarter 10-Q, all major laboratory companies, including the Company, were required to eliminate the old chemistry profiles from their standard test requisition forms and standard test offerings by July 1, 1998. The Company developed and implemented a new "universal" test requisition and "standard test offerings" which successfully incorporated all required changes by the July 1, 1998 deadline.

These new rules are intended to reduce the number of non-Medicare covered "screening tests" which Medicare believes have in the past been inappropriately billed to Medicare. Due to the variety of new rules (including limited coverage rules) which have been adopted recently to address this issue, the Company does not believe a meaningful estimate of the potential financial impact of this new rule can be made at this time.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in litigation which purports to be a class action brought on behalf of certain patients, private insurers and benefit plans that paid for laboratory testing services during the time frame covered by the 1996 Government Settlement. The Company has also received certain similar claims brought on behalf of certain other insurance companies, some of which have been resolved for immaterial amounts. These claims for private reimbursement are similar to the government claims settled in 1996. However, no amount of damages has been specified at this time and, with the exception of the above, no settlement discussions have taken place. The Company is carefully evaluating these claims, however, due to the early stage of the claims, the ultimate outcome of these claims cannot presently be predicted.

The Company is also involved in certain claims and legal actions arising in the ordinary course of business. These matters include, but are not limited to, inquiries from governmental agencies and Medicare or Medicaid carriers requesting comment on allegations of billing irregularities that are brought to their attention through billing audits or third parties. In the opinion of management, based upon the advice of counsel and consideration of all facts available at this time, the ultimate disposition of these matters will not have a material adverse effect on the financial position, results of operations or liquidity of the Company.

Item 4. REPORT OF THE INSPECTOR OF ELECTION

On June 17, 1998 the Company held its 1998 annual meeting. The final tabulation of the votes cast at the meeting was as follows:

	FOR ---	WITHHELD -----
ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS:		
American Stock Transfer & Trust Company		
Thomas P. Mac Mahon	102,231,265	12,856,400
James B. Powell, MD	102,245,586	12,842,079
Jean-Luc Belingard	100,105,881	14,981,784
Wendy E. Lane	114,191,547	896,118
Robert E. Mittelstaedt, Jr.	114,191,091	896,574
David B. Skinner, MD	114,191,691	895,974
Andrew G. Wallace, MD	112,050,895	3,036,770

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

Item 4. REPORT OF THE INSPECTOR OF ELECTION - Continued

	VOTES FOR ---	VOTES AGAINST -----	VOTES ABSTAINED -----
RATIFICATION OF THE APPOINTMENT OF PRICE WATERHOUSE LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 1998:			
American Stock Transfer & Trust Company	114,899,348	107,460	80,857

In addition, certain shares of National Health Laboratories Holdings, Inc. which have not been converted to Company shares were eligible to vote at the annual meeting and were voted as follows:

FOR ---	WITHHELD -----
------------	-------------------

ELECTION OF THE MEMBERS
OF THE BOARD OF DIRECTORS:

American Stock Transfer & Trust Company		
Thomas P. Mac Mahon	300	5
James B. Powell, MD	305	0
Jean-Luc Belingard	305	0
Wendy E. Lane	305	0
Robert E. Mittelstaedt, Jr.	305	0
David B. Skinner, MD	305	0
Andrew G. Wallace, MD	305	0

	VOTES FOR -----	VOTES AGAINST -----	VOTES ABSTAINED -----
RATIFICATION OF THE APPOINTMENT OF PRICE WATERHOUSE LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 1998:			
American Stock Transfer & Trust Company	305	0	0

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 27 Financial Data Schedule (electronically
filed version only).

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

(b) Reports on Form 8-K

- (1) A current report on Form 8-K dated June 10, 1998 was filed on July 8, 1998, by the registrant, in connection with the press release dated June 10, 1998 announcing the completion of its previously announced acquisition of certain of the assets of Medlab, Inc.
- (2) A current report on Form 8-K dated June 12, 1998 was filed on July 8, 1998, by the registrant, in connection with the press release dated June 12, 1998 announcing that its Board of Directors declared dividends on the Company's 8 1/2% Series A Convertible Exchangeable Preferred Stock and the Company's 8 1/2% Series B Convertible Pay-in-Kind Preferred Stock.
- (3) A current report on Form 8-K dated June 23, 1998 was filed on July 8, 1998, by the registrant, in connection with the press release dated June 23, 1998 announcing that it signed two separate laboratory service agreements collectively covering more than 1,500,000 Florida members of the two plans. The first is a multi-year agreement with Health Options, Inc., Blue Cross and Blue Shield of Florida's health maintenance organization, and the second is an agreement to become a provider of laboratory services to Florida members of Humana Medical Plans, Inc., a subsidiary of Humana, Inc.
- (4) A current report on Form 8-K dated June 30, 1998 was filed on July 8, 1998, by the registrant, in connection with the press release dated June 30, 1998 announcing that the Antivirogram-TM- and the Vircogen-TM-, two new diagnostic testing procedures enabling physicians to evaluate resistance of HIV to antiretroviral drugs, will be available for commercial use on July 20, 1998 exclusively from LabCorp facilities in the U.S. These new testing systems are an important advance in

optimizing treatment choices in the fight against
HIV/AIDS.

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, 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: August 14, 1998

<ARTICLE> 5

<LEGEND>

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.

</LEGEND>

<CIK> 0000920148

<NAME> LABORATORY CORPORATION OF AMERICA HOLDINGS

<MULTIPLIER> 1000

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<FISCAL-YEAR-END>		DEC-31-1998
<PERIOD-START>		JAN-01-1998
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<CASH>		15,500
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<RECEIVABLES>		552,700
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<INVENTORY>		29,900
<CURRENT-ASSETS>		456,500
<PP&E>		484,500
<DEPRECIATION>		229,800
<TOTAL-ASSETS>		1,569,300
<CURRENT-LIABILITIES>		220,000
<BONDS>		620,600
<PREFERRED-MANDATORY>		514,300
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<COMMON>		1,200
<OTHER-SE>		128,900
<TOTAL-LIABILITY-AND-EQUITY>		1,569,300
<SALES>		759,100
<TOTAL-REVENUES>		759,100
<CGS>		513,500
<TOTAL-COSTS>		513,500
<OTHER-EXPENSES>		178,900
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		25,000
<INCOME-PRETAX>		44,200
<INCOME-TAX>		22,100
<INCOME-CONTINUING>		22,100
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		22,100
<EPS-PRIMARY>		(0.00)
<EPS-DILUTED>		(0.00)