UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 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 incorporation or organization)	(IRS Employer 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 X No ___

The number of shares outstanding of the issuer's common stock is 125,269,420 shares as of October 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 October 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)

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11.6	$ 23.3
Accounts receivable, net	372.2	330.6
Inventories	28.8	36.0
Prepaid expenses and other	17.9	16.9
Deferred income taxes	36.2	112.0
Income taxes receivable	3.7	8.8
Total current assets	470.4	527.6
Property, plant and equipment, net	253.0	254.9
Intangible assets, net	843.7	851.3
Other assets, net	28.0	24.7
	$1,595.1	$1,658.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 48.8	$ 55.9
Accrued expenses and other	131.6	140.7
Current portion of long-term debt	34.8	--
Total current liabilities	215.2	196.6
Revolving credit facility	--	40.0
Long-term debt, less current portion	608.9	643.8
Capital lease obligation	3.9	5.8
Other liabilities	116.4	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 September 30, 1998 and December 31, 1997, respectively (aggregate preference value of $218.2)	212.9	212.6
Series B 8 1/2% Convertible Pay-in-Kind Preferred Stock, $0.10 par value, 6,276,182 and 5,892,495 shares issued and outstanding at September 30, 1998 and December 31, 1997, respectively (aggregate preference value of $313.8)	308.1	288.3
Shareholders' equity:		
Common stock, $0.01 par value; 520,000,000 shares authorized; 125,265,136 and 123,542,614 shares issued and outstanding at September 30, 1998 and December 31, 1997, respectively	1.2	1.2
Additional paid-in capital	415.7	412.8
Accumulated deficit	(285.4)	(284.9)
Accumulated other comprehensive income	(1.8)	--
Total shareholders' equity	129.7	129.1
	$1,595.1	$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)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit
PERIOD ENDED SEPTEMBER 30, 1997			
Balance at beginning of year	$ 1.2	$ 411.0	$ (154.1)
Comprehensive income:			
Net income	--	--	11.8
Comprehensive income			
Issuance of common stock	--	1.8	--
Preferred stock dividends	--	--	(13.2)
Accretion of mandatorily redeemable preferred sock	--	--	(0.2)
BALANCE AT SEPTEMBER 30, 1997	$ 1.2	$ 412.8	$ (155.7)
PERIOD ENDED SEPTEMBER 30, 1998			
Balance at beginning of year	$ 1.2	$ 412.8	$ (284.9)
Comprehensive income:			
Net income	--	--	33.5
Other comprehensive income:			
Unrealized loss on securities, net of tax	--	--	--
Comprehensive income			
Issuance of common stock	--	2.9	--
Preferred stock dividends	--	--	(33.4)
Accretion of mandatorily redeemable preferred stock	--	--	(0.6)
BALANCE AT SEPTEMBER 30,1998	$ 1.2	$ 415.7	$ (285.4)

	Accumulated Other Comprehensive Income	Total Shareholders' Equity
PERIOD ENDED SEPTEMBER 30, 1997		
Balance at beginning of year	$ --	$ 258.1
Comprehensive income:		
Net income	--	11.8
Comprehensive income		11.8
Issuance of common stock	--	1.8
Preferred stock dividends	--	(13.2)
Accretion of mandatorily redeemable preferred stock	--	(0.2)
BALANCE AT SEPTEMBER 30, 1997	$ --	$ 258.3
PERIOD ENDED SEPTEMBER 30, 1998		
Balance at beginning of year	$ --	$ 129.1
Comprehensive income:		
Net income	--	33.5
Other comprehensive income:		
Unrealized loss on securities, net of tax	(1.8)	(1.8)
Comprehensive income		31.7
Issuance of common stock	--	2.9
Preferred stock dividends	--	(33.4)
Accretion of mandatorily redeemable preferred stock	--	(0.6)
BALANCE AT SEPTEMBER 30, 1998	$ (1.8)	$ 129.7

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)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 33.5	$ 11.8
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net gain on disposals	(1.8)	--
Depreciation and amortization	62.9	64.9
Deferred income taxes, net	55.3	9.8
Change in assets and liabilities, net of effects of acquisitions:		
Net decrease in restructuring reserves	(4.8)	(12.5)
Increase in accounts receivable, net	(43.4)	(7.9)
Decrease in inventories	7.1	5.7
Increase in prepaid expenses and other	(0.9)	(0.2)
Change in income taxes receivable/payable, net	(6.1)	54.3
Decrease in accounts payable	(7.1)	(22.9)
Decrease in accrued expenses and other	(2.6)	(2.0)
Other, net	(2.2)	(6.6)
Net cash provided by operating activities	89.9	94.4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(40.1)	(14.8)
Proceeds from sale of assets	12.4	--
Refund of lease guaranty	8.0	--
Acquisition of businesses	(23.7)	--
Net cash used for investing activities	(43.4)	(14.8)

(continued)

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

	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	$ 20.0	$ 35.0
Payments on revolving credit facilities	(60.0)	(346.0)
Payment on loan from affiliate	--	(187.0)
Payments on long-term debt	--	(68.7)
Payments on long-term lease obligations	(0.8)	--
Deferred payments on acquisitions	(6.5)	(4.5)
Net proceeds from sale of redeemable preferred stock	--	487.0
Net proceeds from issuance of stock to employee stock plan	--	1.6
Payment of preferred stock dividends	(13.8)	(5.2)
Cash received for issuance of common stock	2.9	--
Net cash used for financing activities	(58.2)	(87.8)
Net decrease in cash and cash equivalents	(11.7)	(8.2)
Cash and cash equivalents at beginning of period	23.3	29.3
Cash and cash equivalents at end of period	$ 11.6	$ 21.1
Supplemental schedule of cash flow information:		
Cash (paid) received during the period for:		
Interest	$ (37.3)	$ (53.9)
Income taxes	14.3	55.5
Disclosure of non-cash financing and investing activities:		
Preferred stock dividends	19.6	8.0
Accretion of mandatorily redeemable preferred stock	0.6	0.2
Unrealized loss on securities available-for-sale (net of tax)	1.8	--

The accompanying notes are an integral part of these 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 nine months ended September 30, 1998 of 125,199,880 shares and 124,704,341 shares, respectively, and the weighted average number of shares outstanding during the three and nine months ended September 30, 1997 of 123,541,076 and 123,139,298 shares, respectively.

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	(1.2)	(0.4)	(3.1)	(4.7)
Balance at September 30, 1998	$ 2.5	$ 3.6	$ 27.8	$ 33.9
Current				$ 17.9
Non-current				16.0
				$ 33.9

4. INCOME TAXES

The Company has received a Revenue Agents Report (RAR) from the Internal Revenue Service, concluding audits of the tax years ended 1993, 1994 and 1995. Concurrent with the audits of these years, the Company has filed amended Federal income tax returns for the years 1993-1997, recalculating deductible amounts relating to the allowance for doubtful accounts under Internal Revenue Code Section 475. The amended returns, coupled with adjustments agreed-upon from the RAR, produced a net tax refund receivable of approximately $13.6 which has been recorded in the accompanying Consolidated Balance Sheet as of September 30, 1998. As a result of these amended returns and generation of taxable income during 1998, the Company reduced the amount of its net deferred tax assets related to accounts receivable and net operating loss carry forwards by approximately $51.0.

The RAR also contained certain adjustments for additional taxes of $14.6 plus interest. The Company disagrees with these adjustments and believes it has sound legal defenses to those items. It is the opinion of management that the ultimate outcome of the case will not result in a material impact on the Company's consolidated results of operations or financial position.

5. BUSINESS ACQUISITION

During August, the Company completed its acquisition of Universal Standard Healthcare, Inc.'s (UHCI) Michigan-based clinical laboratory division for $9.0 and purchased 1.4 shares of UHCI common stock for $4.3. UHCI's laboratory had 1997 revenues of approximately $37.0. Concurrent with the equity investment in UHCI, the Company has become UHCI's primary clinical laboratory testing provider under a two-year marketing agreement.

6. ACCUMULATED OTHER COMPREHENSIVE INCOME

At September 30, 1998, the Company recorded an unrealized loss on the UHCI shares of $1.8, net of related deferred tax benefit of $1.2.

7. NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", was issued and establishes standards for reporting and displaying comprehensive income and its components, as recognized under the accounting standards, to be displayed in a financial statement with the same prominence as other financial statements. The disclosure requirements of SFAS No. 130 have been included in the Company's Consolidated Statements of Changes in Shareholders' Equity.

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", also issued

in June 1997, establishes new standards for reporting information about operating segments in annual and interim financial statements. The standard also requires descriptive information about the way the operating segments are determined, the products and services provided by the segments and the nature of differences between reportable segment measurements and those used for the consolidated enterprise. This standard is effective for years beginning after December 15, 1997. Adoption in interim financial statements is not required until the year after initial adoption, however comparative prior period information is required. The disclosure requirements will have no impact on the Company's financial position or results of operations.

In February 1998, Statement of Financial Accounting Standards No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits" was issued. 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. The disclosure requirements will have no impact on the Company's financial position or results of operations.

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" (SOP 98-1), which provides guidance as to when it is or is not appropriate to capitalize the cost of software developed or obtained for internal use. Although SOP 98-1 is effective for fiscal years beginning after December 15, 1998, the Company is currently accounting for software costs following the guidance provided by SOP 98-1.

In June 1998, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued. 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. Adoption is not expected to have a material impact on the Company's financial position or results of operations.

8. INTEREST RATE SWAP

The Company entered into a Rate Collar Transaction effective September 20, 1998 through September 20, 2002. The notional amount of the rate collar transaction is $150.0 through September 20, 2002. The Company will pay the three month LIBOR with the exception that if LIBOR falls below 4.25% the Company will pay 5.02% and if LIBOR exceeds 5.90% the Company will pay 5.90%. At September 30, 1998, the interest rate

exposure on $500.0 of floating rate debt has effectively changed to a weighted average fixed interest rate of 6.70% as a result of existing swap activity. The notional amounts of the agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss.

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

Net sales for the three months ended September 30, 1998 were $398.3, an increase of 5.8% from $376.5 reported in the comparable 1997 period. The sales increase was a result of a 4.4% increase in price and a 1.4% increase in volume in comparison to the corresponding 1997 quarter.

Cost of sales, which includes primarily laboratory and distribution costs, was $270.3 for the three months ended September 30, 1998 compared to $262.7 in the corresponding 1997 period, an increase of $7.6. Cost of sales increased approximately $3.6 due to the increase in volume and approximately $4.0 due to an increase in personnel expenses. Telephone, royalty, and miscellaneous expenses increased which was directly offset by decreases in depreciation, testing supplies and freight expenses. Cost of sales as a percentage of net sales was 67.9% for the three months ended September 30, 1998 and 69.8% in the corresponding 1997 period. The decrease in the

cost of sales percentage of net sales primarily resulted from ongoing cost reduction efforts.

Selling, general and administrative expenses increased to $86.0 for the three months ended September 30, 1998 from $79.4 in the same period in 1997. This increase is primarily due to higher personnel expenses, telephone expenses and marketing related expenses. Total bad debt expense remained consistent as a percentage of net sales from the comparable 1997 period. As a percentage of net sales, selling, general and administrative expenses were 21.6% and 21.1% for the three months ended September 30, 1998 and 1997, respectively.

The amortization of intangibles and other assets was $7.7 for both the three months ended September 30, 1998 and 1997.

Net interest expense was $12.1 for the three months ended September 30, 1998 compared with $13.3 for the same period in 1997. The change resulted primarily from decreased borrowings resulting from payments made to reduce the Company's revolving credit facility. It should be noted that since the interest rate that the Company pays on its debt is linked to the Company's quarterly financial performance, the third quarter results will entitle the Company to a reduction in its interest rate on the term debt from LIBOR plus 1.0% to LIBOR plus 0.5% (and from LIBOR plus 0.75% to LIBOR plus 0.3125% on the revolving credit facility).

The provision for income taxes as a percentage of earnings before taxes was 48.9% for the three months ended September 30, 1998 compared to 59.7% for the three months ended September 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.

NINE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 1997.

Net sales for the nine months ended September 30, 1998 were $1,157.4, as compared to $1,157.6 reported in the comparable 1997 period. Sales declined 2.6% as a result of lower testing volume, which is a result of industry-wide trends. The decline in sales resulting from volume declines was offset by an increase in price per accession of approximately 2.6% 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.

Cost of sales, which includes primarily laboratory and distribution costs, was $783.9 for the nine months ended September 30, 1998 compared to $811.6 in the corresponding 1997 period, a decrease of $27.7. Cost of sales decreased approximately $21.2 due to the decrease in volume, and approximately $12.7 due to a decrease in testing supplies, consulting fees, maintenance and rental expense categories as a result of the Company's cost reduction programs. These decreases are partially offset by increases in telephone, postage and royalty expenses. Cost of sales as a percentage of net sales was 67.7% for the nine months ended September 30, 1998 and 70.1% in the corresponding 1997 period. The decrease in the cost of sales percentage of net sales primarily resulted from ongoing cost reduction efforts.

Selling, general and administrative expenses increased to $249.7 for the nine months ended September 30, 1998 from $237.7 in the same period in 1997. This increase is primarily due to higher personnel expenses, commissions, consulting fees and marketing related expenses. Total bad debt expense remained consistent as a percentage of net sales from the comparable 1997 period. As a percentage of net sales, selling, general and administrative expenses were 21.6% and 20.5% for the nine months ended September 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 $22.8 and $23.0 for the nine months ended September 30, 1998 and 1997, respectively.

Net interest expense was $36.4 for the nine months ended September 30, 1998 compared with $55.8 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 49.7% for the nine months ended September 30, 1998 compared to 60.0% for the nine months ended September 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.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $89.9 and $94.4 for the nine months ended September 30, 1998 and September 30, 1997, respectively. The decrease in cash flow from operations primarily

resulted from an increase in accounts receivable offset by improved earnings and an increase in accounts payable. Capital expenditures were $40.1 and $14.8 for 1998 and 1997, respectively. The Company expects capital expenditures to be approximately $60.0 in 1998 in order 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 $12.4 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 $23.7.

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). Days Sales Outstanding (DSO) at third quarter was 84 days. This compares to 83 days at the end of the second quarter. Two acquisitions occurred during the third quarter which influenced the increase in DSO. Obtaining required licenses and private certifications, as well as transitioning accounts onto the Company's systems caused delay by several months in billing customers in these two acquisitions. The Company anticipates having all bills out to customers by mid-November. 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.

YEAR 2000 UPDATE

The Company has an ongoing work effort to identify and remediate data recognition problems that will be caused in computer systems, software, and lab equipment by the change in date from the year 1999 to the year 2000. The Company is also working to address potential problems in systems and equipment that contain imbedded hardware or software that may have a time element (referred to as "non-IT" systems).

The Company's Year 2000 project has five phases: 1) inventory of the business critical functional equipment and systems affected by the Year 2000 issue; 2) assessment of the key elements identified by the inventory including development of strategies to address affected critical equipment and systems; 3) contingency planning; 4) remediation of affected equipment and systems; and 5) testing and validation of its systems for Year 2000 date recognition.

Initial inventories of business critical functional equipment and systems have been completed. Assessment of the key elements identified by the inventories, the development of strategies to address key equipment and systems are targeted for completion by December 31, 1998. Contingency planning is scheduled to be completed during the first quarter of 1999. Completion of all material phases for remediation, testing and validation for business critical equipment and systems is scheduled for June 30, 1999.

The Company is also working to assess Year 2000 readiness on the part of its significant service providers, vendors, suppliers, customers and governmental entities. There can be no guarantee that the failure by these other companies to successfully and timely achieve Year 2000 compliance would not have an adverse effect on the Company's operations.

The total cost associated with required Year 2000 modifications and related activities is not expected to be material to the Company's financial position and is expected to be funded through capital and operating cash flows. It is currently estimated that the total future expenditures relating to the Year 2000 project will be between $20 and $25, with $2.5 having been spent through September 30, 1998. The amounts required to address Year 2000 readiness do not include significant investments in new systems which are being incurred in the normal course of business and are Year 2000 compliant.

None of the Company's other information technology projects have been delayed due to the implementation of the Year 2000 project.

The estimates and conclusions herein contain forward-looking statements and are based on management's best estimates of future events. Due to the general uncertainly inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers and customers, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's results of operations, liquidity or financial condition.

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. Estimated year-to-date costs associated with these changes are approximately $3.0 to $4.0.

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 revenue impact of this new rule can be made at this time. The Company's analysis to date do not indicate a currently measurable impact on revenues. The Company will continue to monitor this issue going forward.

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 6. Exhibits and Reports on Form 8-K

(a) Exhibits 27 Financial Data Schedule (electronically filed version only).

(b) Reports on Form 8-K

(1) A current report on Form 8-K dated July 16, 1998 was filed on August 17, 1998, by the registrant, in connection with the press release dated July 16, 1998 announcing that it entered into a definitive agreement to acquire Universal Standard Healthcare, Inc.'s (UHCI) Michigan-based clinical laboratory division which had 1997 revenues of approximately $37 million. The Company also acquired an equity position in UHCI and has become UHCI's primary clinical laboratory testing provider under a two-year marketing agreement.

(2) A current report on Form 8-K dated July 20, 1998 was filed on August 17, 1998, by the registrant, in connection with the press release dated July 20, 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, are now available for commercial use exclusively from the Company's facilities in the U.S. These new testing systems are an important advance in optimizing treatment choices in the fight against HIV/AIDS.

(3) A current report on Form 8-K dated July 21, 1998 was filed on August 17, 1998, by the registrant, in connection with the press release dated July 21, 1998 announcing operating results of the Company for the quarter and six months ended June 30, 1998.

(4) A current report on Form 8-K dated August 5, 1998 was filed on August 17, 1998, by the registrant, in connection with the press release dated August 5, 1998 announcing that it completed its previously announced acquisition of Universal Standard Healthcare, Inc.'s (UHCI) Michigan-based clinical laboratory division. The Company also acquired an equity position in UHCI and has become UHCI's primary clinical laboratory testing provider under a two-year marketing agreement.

(5) A current report on Form 8-K dated August 5, 1998 was filed on August 17, 1998, by the registrant, in connection with the press release dated August 5, 1998 announcing that its forensic crime laboratory located at the Company's Center for Molecular Biology and Pathology in Research Triangle Park, North Carolina, was accredited by the American Society of Crime Laboratory Directors, Laboratory Accreditation Board (ASCLD/LAB) in the category of DNA testing.

(6) A current report on Form 8-K dated August 20, 1998 was filed on August 26, 1998, by the registrant, in connection with the press release dated August 20, 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.

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: November 13, 1998

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

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LABORATORY CORPORATION OF AMERICA HOLDINGS
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9-MOS
DEC-31-1998
JAN-01-1998
SEP-30-1998
11,600
0
568,800
196,600
28,800
470,400
489,800
236,800
1,595,100
215,200
608,900
521,000
0
1,200
128,500
1,595,100
1,157,400
1,157,400
783,900
783,900
272,500
0
37,200
66,600
33,100
33,500
0
0
0
33,500
(0.00)
(0.00)