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, 2001

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 70,328,277 shares as of October 31, 2001.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Information

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

	September 30, 2001	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55.5	$ 48.8
Accounts receivable, net	389.0	368.0
Supplies inventory	37.4	31.6
Prepaid expenses and other	16.4	18.5
Deferred income taxes	55.2	44.8
Total current assets	553.5	511.7
Property, plant and equipment, net	296.2	272.8
Intangible assets, net	952.3	865.7
Other assets, net	18.3	16.7
	$ 1,820.3	$ 1,666.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 61.5	$ 52.8
Accrued expenses and other	161.6	127.1
Current portion of long-term debt	--	132.0
Total current liabilities	223.1	311.9
Zero coupon-subordinated notes	437.1	--
Long-term debt, less current portion	--	346.5
Capital lease obligations	6.4	7.2
Other liabilities	117.2	123.9
Commitments and contingent liabilities	--	--
Shareholders' equity:		
Common stock, $0.10 par value; 265,000,000 shares authorized;70,241,913 and 69,739,246 shares issued and outstanding at September 30, 2001 and December 31, 2000, respectively	7.0	7.0
Additional paid-in capital	1,074.8	1,048.2
Accumulated deficit	(29.3)	(168.0)
Unearned restricted stock compensation	(15.0)	(9.4)
Accumulated other comprehensive loss	(1.0)	(0.4)
Total shareholders' equity	1,036.5	877.4
	$ 1,820.3	$ 1,666.9

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)
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2001	2000	2001	2000
Net sales	$ 1,636.0	$ 1,433.3	$ 560.9	$ 488.1
Cost of sales	935.5	851.8	322.9	291.4

Gross profit	700.5	581.5	238.0	196.7
Selling, general and administrative expenses	380.4	359.3	128.0	118.7
Amortization of intangibles and other assets	29.9	24.2	9.7	8.7
Operating income	290.2	198.0	100.3	69.3
Other income (expenses):				
Loss on sale of assets	(1.9)	(0.8)	(0.7)	--
Net investment income	1.5	1.0	--	0.9
Termination of interest rate swap agreement	(8.9)	--	(8.9)	--
Interest expense	(22.8)	(29.3)	(6.5)	(9.5)
Earnings before income taxes and extraordinary loss	258.1	168.9	84.2	60.7
Provision for income taxes	116.2	77.7	37.9	27.9
Net earnings before extraordinary loss	141.9	91.2	46.3	32.8
Extraordinary loss, net of tax benefit	3.2	--	3.2	--
Net earnings after extraordinary loss	138.7	91.2	43.1	32.8
Less preferred stock dividends	--	(34.4)	--	--
Less accretion of mandatorily redeemable preferred stock	--	(0.2)	--	--
Net earnings attributable to common shareholders	$ 138.7	$ 56.6	$ 43.1	$ 32.8
Basic earnings per common share before extraordinary loss	$ 2.05	$ 1.43	$ 0.67	$ 0.49
Extraordinary loss, net of tax benefit	$ 0.05	$ --	$ 0.05	$ --
Basic earnings per common share after extraordinary loss	$ 2.00	$ 1.43	$ 0.62	$ 0.49

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2001	2000	2001	2000
Diluted earnings per common share before extraordinary loss	$ 2.02	$ 1.33	$ 0.66	$ 0.47
Extraordinary loss, net of tax benefit	$ 0.05	$ --	$ 0.05	$ --
Diluted earnings per common share after extraordinary loss	$ 1.97	$ 1.33	$ 0.61	$ 0.47

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

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

	Common Stock	Additional Paid-in Capital	Accumulated Deficit
PERIOD ENDED SEPTEMBER 30, 2000			
Balance at beginning of year	$ 2.6	$ 422.6	$ (245.5)
Comprehensive income:			
Net earnings	--	--	91.2
Other comprehensive income:			
Foreign currency translation adjustments	--	--	--
Comprehensive income	--	--	91.2
Issuance of common stock	0.2	9.5	--
Issuance of restricted stock awards	--	9.3	--
Amortization of unearned restricted stock compensation	--	--	--
Income tax benefit from stock options exercised	--	6.7	--
Conversion of preferred stock into common stock	4.2	579.7	--
Preferred stock dividends	--	--	(34.4)
Accretion of mandatorily redeemable preferred stock	--	--	(0.2)
BALANCE AT SEPTEMBER 30, 2000	$ 7.0	$1,027.8	$ (188.9)
PERIOD ENDED SEPTEMBER 30, 2001			
Balance at beginning of year	$ 7.0	$1,048.2	$ (168.0)
Comprehensive income:			
Net earnings after extraordinary loss	--	--	138.7
Other comprehensive income:			
Cumulative effect of change in accounting principle (net-of-tax)	--	--	--
Unrealized derivative loss on cash flow hedge (net-of-tax)	--	--	--
Termination of interest rate swap agreement	--	--	--
Foreign currency translation adjustments	--	--	--
Comprehensive income	--	--	138.7
Issuance of common stock	--	9.1	--
Issuance of restricted stock awards	--	11.3	--
Amortization of unearned restricted stock compensation	--	--	--
Income tax benefit from stock options exercised	--	6.2	--
BALANCE AT SEPTEMBER 30, 2001	$ 7.0	$1,074.8	$ (29.3)

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

	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
PERIOD ENDED SEPTEMBER 30, 2000			
Balance at beginning of year	$ (4.1)	$ (0.1)	$ 175.5
Comprehensive income:			
Net earnings	--	--	91.2
Other comprehensive income:			
Foreign currency translation adjustments	--	(0.5)	(0.5)
Comprehensive income	--	(0.5)	90.7
Issuance of common stock	--	--	9.7
Issuance of restricted stock awards	(9.3)	--	--
Amortization of unearned restricted stock compensation	2.1	--	2.1
Income tax benefit from stock options exercised	--	--	6.7
Conversion of preferred stock into common stock	--	--	583.9
Preferred stock dividends	--	--	(34.4)
Accretion of mandatorily redeemable preferred stock	--	--	(0.2)
BALANCE AT SEPTEMBER 30, 2000	$ (11.3)	$ (0.6)	$ 834.0
PERIOD ENDED SEPTEMBER 30, 2001			
Balance at beginning of year	$ (9.4)	$ (0.4)	$ 877.4
Comprehensive income:			
Net earnings after extraordinary loss	--	--	138.7
Other comprehensive income:			
Cumulative effect of change in accounting principle (net-of-tax)	--	0.6	0.6
Unrealized derivative loss on cash flow hedge (net-of-tax)	--	(9.5)	(9.5)
Termination of interest rate swap agreement	--	8.9	8.9
Foreign currency translation adjustments	--	(0.6)	(0.6)
Comprehensive income	--	(0.6)	138.1
Issuance of common stock	--	--	9.1
Issuance of restricted stock awards	(11.3)	--	--
Amortization of unearned restricted stock compensation	5.7	--	5.7
Income tax benefit from stock options exercised	--	--	6.2
BALANCE AT SEPTEMBER 30, 2001	$ (15.0)	$ (1.0)	$1,036.5

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 CASH FLOWS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)
(Unaudited)

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings after extraordinary loss	$ 138.7	$ 91.2
Adjustments to reconcile net earnings after extraordinary loss to net cash provided by operating activities:		
Depreciation and amortization	75.5	65.8
Deferred compensation	5.7	2.1
Net losses on sale of assets	1.9	0.8
Accreted interest on zero coupon-subordinated notes	0.5	--
Extraordinary loss, net of tax benefit	3.2	--
Termination of interest rate swap agreement	8.9	--
Deferred income taxes	(6.9)	10.0
Change in assets and liabilities:		
Increase in accounts receivable, net	(7.3)	(29.3)
Increase in inventories	(2.6)	(2.7)
Decrease in prepaid expenses and other	6.0	18.0
(Decrease) increase in accounts payable	(0.3)	13.2
Increase in accrued expenses and other	29.0	12.4
Other, net	0.1	(3.9)
Net cash provided by operating activities	252.4	177.6
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(59.0)	(39.7)
Proceeds from sale of assets	2.3	0.7
Deferred payments on acquisitions	(5.2)	(0.9)
Acquisition of businesses	(131.4)	(88.4)
Net cash used for investing activities	(193.3)	(128.3)

(continued)

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

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	75.0	--
Payments on revolving credit facilities	(75.0)	--
Proceeds from zero coupon-subordinated notes	436.6	--
Payments on long-term debt	(478.5)	(73.0)
Debt issuance costs	(9.8)	--
Termination of interest rate swap agreement	(8.9)	--
Payments on long-term lease obligations	(0.8)	(0.8)
Payment of preferred stock dividends	--	(9.5)
Net proceeds from issuance of stock to employees	9.1	9.5
Other	0.5	--
Net cash used for financing activities	(51.8)	(73.8)
Effect of exchange rate changes on cash and cash equivalents	(0.6)	(0.5)
Net increase (decrease) in cash and cash equivalents	6.7	(25.0)
Cash and cash equivalents at beginning of period	48.8	40.3
Cash and cash equivalents at end of period	$ 55.5	$ 15.3
Supplemental schedule of cash flow information:		
Cash paid during the period for:		
Interest	$ 22.8	$ 29.4
Income taxes, net of refunds	62.7	38.7
Disclosure of non-cash financing and investing activities:		
Preferred stock dividends	--	24.9
Accretion of mandatorily redeemable preferred stock	--	0.3
Conversion of preferred stock into common stock	--	583.9

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

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

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 earnings per share is computed by dividing net income, less preferred stock dividends and accretion, by the weighted average number of common shares outstanding. Dilutive earnings per share is computed by dividing net income, by the weighted average number of common shares outstanding plus potentially dilutive shares, as if they had been issued at the beginning of the period presented. Potentially dilutive common shares result primarily from the Company's mandatorily redeemable preferred stock, restricted stock awards and outstanding stock options.

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

The following represents a reconciliation of the weighted average shares used in the calculation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Basic	69,443,764	66,712,694	69,325,565	39,727,290
Assumed conversion/exercise of:				
Stock options	619,312	717,690	575,075	626,000
Restricted stock awards	568,461	375,298	559,749	340,068
Series A preferred stock	--	535,880	--	10,423,004
Series B preferred Stock	--	1,161,472	--	17,365,198
Diluted	70,631,537	69,503,034	70,460,389	68,481,560

At September 30, 2001 and 2000, options to acquire 13,626 and 360,283 shares of common stock, respectively, were excluded in the computations of diluted earnings per share, because the effect of including the options would have been antidilutive.

3. LONG-TERM DEBT

On September 11, 2001, the Company sold $650.0 aggregate principal amount at maturity of its zero coupon convertible subordinated notes (the "notes") due 2021 in a private placement. The Company received approximately $426.8 (excluding underwriter's fees of approximately $9.8) in net proceeds from the offering. On October 4, 2001, the Company's underwriters exercised their rights to purchase an additional $94.0 in "green shoe" overallotment from which the Company received approximately $61.8 in net proceeds (excluding underwriters fees of approximately $1.4). The notes were sold at an issue price of $671.65 per $1,000 principal amount at maturity (representing a yield to maturity of 2.0% per year) and are convertible into 6.7054 shares of the Company's common stock only if one of the following occurs:

1) If the sales price of the Company's common stock reaches specified thresholds.
2) If the credit rating assigned to the notes by Standard & Poor's Ratings Services is at or below a specified level.
3) If the notes are called for redemption.
4) If specified corporate transactions have occurred.

Holders of the notes may require the Company to purchase all or a portion of their notes on September 11, 2004, 2006 and 2011 at prices ranging from $712.97 to $819.54. The Company may choose to pay the purchase price in cash or common stock or a combination of cash and common stock. If the holders elect to require the Company to purchase their notes it would be the Company's intention to retire the notes by a cash payment.

The Company may redeem for cash all or a portion of the notes at any time on or after September 11, 2006 at specified redemption prices ranging from $741.92 at September 11, 2001 to $1,000.00 at September 11, 2021.

The Company used a portion of the proceeds to repay $412.5 million of its terms loan outstanding under its credit agreement and the related interest rate swap agreement. The termination of the interest swap agreement cost the Company $8.9 million. In addition, an extraordinary loss of $3.2 million (net of taxes of $2.3 million) was incurred as a result of the early retirement of debt for the write-off of associated debt issuance costs.

The Company filed a shelf registration on October 19, 2001 for the resale of the notes and the shares of common stock issuable upon conversion of the notes.

The Company remains party to a $450 million revolving credit facility with a major financial institution. The revolving credit agreement provides for interest at the LIBOR rate plus 1.1875%. As of September 30, 2001, the Company has no outstanding balance on its revolving credit facility.

4. DERIVATIVE FINANCIAL INSTRUMENTS

In conjunction with the early retirement of its long-term debt, the Company terminated its interest rate swap agreement at a cost to the Company of $8.9 with a portion of the proceeds from the sale of zero coupon-subordinated notes. In accordance with the provisions of SFAS No. 133, as amended, this interest rate swap agreement was designated as a cash flow hedge and carried on the balance sheet at fair value with a corresponding offset in accumulated other comprehensive income.

The zero coupon-subordinated note agreement contains the following three features that are considered to be embedded derivative instruments under FAS No. 133:

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

2) Contingent additional principal will accrue during the two year period from September 11, 2004 to September 11, 2006, if the Company's stock price factor is at or below specified thresholds.

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

Based upon independent appraisals, these embedded derivatives had no fair market value at September 11, 2001 and September 30, 2001.

5. NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," was issued. This Statement supersedes APB Opinion No. 16, "Business Combinations" and SFAS No. 38. "Accounting for Preacquisition Contingencies of Purchased Enterprises" and eliminates the pooling method of accounting for business enterprises. This Statement requires all business combinations to be accounted for using the purchase method for all transactions initiated after June 30, 2001.

In June 2001, SFAS No. 142 "Goodwill and Other Intangible Assets" was also issued. This Statement supersedes APB No. 17 "Intangible Assets" and addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be reviewed at least annually for impairment.

Intangible assets that have finite lives will continue to be amortized over their useful lives, but without the constraint of the 40-year useful life amortization ceiling. The provisions of this Statement are required to be applied starting with fiscal years beginning after December 15, 2001, however, goodwill and intangible assets acquired after June 30, 2001, will be subject immediately to the nonamortization and amortization provisions of this Statement. The Company is evaluating the impact of the adoption of SFAS No. 141 and SFAS No. 142.

In August 2001, SFAS No. 143, "Accounting for Asset Retirement Obligations" was issued. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated legal obligations of such asset retirement costs. The Company does not expect that implementation of this standard will have a significant financial impact.

In October 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was issued. This Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Effects of Disposal of a Segment of a Business, and

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

Extraordinary, Unusual and Infrequently Occurring Events and Transactions". This Statement retains the requirements of SFAS No. 121 to recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and to measure an impairment loss as the difference between the carrying amount and the fair value of the asset. However, this standard removes goodwill from its scope and revises the approach for evaluating impairment. The Company is evaluating the impact of the adoption of SFAS No. 144.

6. RESTRUCTURING CHARGES

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

	Severance Costs	Lease and Other Facility Costs	Total
Balance at December 31, 2000	$ 1.9	$20.1	$22.0
Cash payments	(1.0)	(3.8)	(4.8)
Reclassifications and non-cash items	(0.7)	0.2	(0.5)
Balance at September 30, 2001	$ 0.2	16.5	16.7
Current			$ 7.6
Non-current			$ 9.1
			$16.7

7. COMMITMENTS AND CONTINGENCIES

The Company is involved in litigation (including two cases which purport to be class action suits) 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 and individuals, some of which have been resolved for immaterial amounts. These claims for private reimbursement are similar to the government claims settled in 1996. Following a careful evaluation of these claims, the Company has entered into settlement negotiations with the representatives of all of these parties, resulting in settlement agreements to resolve the majority of these matters. During the nine months ended September 30, 2001, $14.6 was paid out with two of these settlement agreements. Based upon these discussions and settlement agreements, management does not believe that the ultimate outcome of these claims will exceed existing reserves or have a material adverse affect on the Company. On January 9, 2001, the Company was served with a complaint in North Carolina which purports to be a class action and makes claims similar to the cases referred to above. The Company is carefully evaluating this claim. Due to the early stage of the claim, its outcome cannot be presently predicted.

The Company is also involved in various claims and legal actions arising in the ordinary course of business. These matters include, but are not limited to, professional liability, employee related matters, 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.

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

5. increased competition, including price competition.

6. changes in payor mix, including an increase in capitated managed-cost health care.

7. our failure to obtain and retain new customers and alliance partners, or a reduction in tests ordered or specimens submitted by existing customers.

8. our failure to integrate newly acquired businesses and the cost related to such integration.

9. adverse results in litigation matters.

10. our ability to attract and retain experienced and qualified personnel.

11. failure to maintain our days sales outstanding levels.

RESULTS OF OPERATIONS

Three Months ended September 30, 2001 compared with Three Months ended September 30, 2000.

Net sales for the three months ended September 30, 2001 were $560.9, an increase of $72.8, or 14.9%, from $488.1 for the comparable 2000 period. The sales increase is a result of an increase of approximately 8.6% in volume and 6.3% in price. The increase in sales for the third quarter of 2001 would have been approximately 10.0% after excluding the effect of the acquisitions made in 2001 and 2000.

Cost of sales, which includes primarily laboratory and distribution costs, was $322.9 for the three months ended September 30, 2001 compared to $291.4 in the corresponding 2000 period, an increase of $31.5. The increase in cost of sales is primarily the result of increases in volume and supplies due to recent acquisitions and growth in the base business. Cost of sales as a percentage of net sales was 57.6% for the three months ended September 30, 2001 and 59.7% in the corresponding 2000 period. The decrease in the cost of sales percentage of net sales primarily resulted from price increases, changes in the mix of tests favoring higher value tests and the addition of new, higher margin business.

Selling, general and administrative expenses increased to $128.0 for the three months ended September 30, 2001 from $118.7 in the same period in 2000. This increase resulted primarily from personnel and other costs as a result of the recent acquisitions. Due to improved cash collections, the Company lowered its provision for bad debt expense, as a percentage of sales, to 9.0% for the three months ended September 30, 2001 compared to 9.4% for the three months ended June 30, 2001 and compared to 10.2% for the three months ended September 30, 2000. As a percentage of net sales, selling, general and administrative expenses were 22.8% and 24.3% for the three months ended September 30, 2001 and 2000, respectively.

The amortization of intangibles and other assets was $9.7 and $8.7 for the three months ended September 30, 2001 and 2000 due to acquisitions made in 2001 and late 2000.

Interest expense was $6.5 for the three months ended September 30, 2001 compared with $9.5 for the same period in 2000. The decline in interest expense is a result of the Company's reduction in long-term debt and lower interest rates.

The provision for income taxes as a percentage of earnings before taxes was 45.0% for the three months ended September 30, 2001 compared to 46.0% for the three months ended September 30, 2000.

Nine Months ended September 30, 2001 compared with Nine Months ended September 30, 2000.

Net sales for the nine months ended September 30, 2001 were $1,636.0, an increase of $202.7, or 14.1%, from $1,433.3 for the comparable 2000 period. The sales increase is a result of an increase in price of approximately 7.0% and an increase in volume of approximately 7.1%. The increase in sales for the nine months ended September 30, 2001 would have been approximately 10.4% after excluding the effect of the acquisitions made in 2001 and 2000.

Cost of sales, which includes primarily laboratory and distribution costs, was $935.5 for the nine months ended September 30, 2001 compared to $851.8 in the corresponding 2000 period, an increase of $83.7. The increase in cost of sales is primarily the result of increases in volume, supplies and personnel costs due to recent acquisitions and growth in the base business. Cost of sales as a percentage of net sales was 57.2% for the nine months ended September 30, 2001 and 59.4% in the corresponding 2000 period. The decrease in the cost of sales percentage of net sales primarily resulted from price increases, changes in the mix of tests favoring higher value tests and the addition of new, higher margin business.

Selling, general and administrative expenses increased to $380.4 for the nine months ended September 30, 2001 from $359.3 in the same period in 2000. This increase resulted primarily from bad debt expense on higher net sales amounts, as well as from personnel and other costs as a result of the recent acquisitions. The Company lowered its provision for bad debt expense, as a percentage of sales, to 9.0% for the three months ended September 30, 2001, making its effective bad debt rate for the nine month period equal to 9.4% as compared to 10.2% at September 30, 2000. As a percentage of net sales, selling, general and administrative expenses were 23.3% and 25.1% for the nine months ended September 30, 2001 and 2000, respectively.

The amortization of intangibles and other assets was $29.9 and $24.2 for the nine months ended September 30, 2001 and 2000 due to acquisitions made in 2001 and late 2000.

Interest expense was $22.8 for the nine months ended September 30, 2001 compared with $29.3 for the same period in 2000. The decline in interest expense is a result of the Company's reduction in long-term debt and lower interest rates.

The provision for income taxes as a percentage of earnings before taxes was 45.0% for the nine months ended September 30, 2001 compared to 46.0% for the nine months ended September 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $252.4 and $177.6 for the nine months ended September 30, 2001 and September 30, 2000, respectively. The increase in cash flows from operations primarily resulted from improved earnings and improved cash collections. Also contributing to the increase in cash flows from operations was the fact that the 2001 third quarter estimated federal tax payment of approximately $35.0 was deferred by the IRS until October 15, 2001. These increases were partially offset by legal settlements of approximately $14.6 for the nine months ended September 31, 2001. Capital expenditures were $59.0 and $39.7 for the nine months ended September 30, 2001 and 2000, respectively. The increase in capital expenditures is primarily due to the Company's investment in new chemistry analyzers.

In September and October of 2001, the Company received approximately $488.5 in net proceeds from a private offering of zero coupon-subordinated notes. The Company used a portion of the proceeds to repay $412.5 of its term loan outstanding and incurred a charge of $8.9 due to the termination of an interest rate swap agreement.

The Company's days sales outstanding (DSO) decreased to 64 days at September 30, 2001 from 68 days at the end of December 31, 2000. During the quarter, the Company lowered its bad debt as a percentage of sales to 9.0% as compared to 10.2% at the end of December 31, 2000. This reduction reflects the positive trends in cash collections for the quarter.

Based on current and projected levels of operations, coupled with availability under its revolving credit facility, the Company believes it has sufficient liquidity to meet both its short-term and long-term cash needs. For a discussion of legal proceedings which may impact the Company's liquidity and capital resources see "Note 7 to the Company's Unaudited Condensed Consolidated Financial Statements".

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

The Company addresses its exposure to market risks, principally the market risk of changes in interest rates, through a controlled program of risk management that includes the use of derivative financial instruments. The Company does not hold or issue derivative financial instruments for trading purposes. The Company does not believe that its foreign exchange exposure is material to the Company's financial position or results of operations. See Note 4 to the Company's Unaudited Condensed Consolidated Financial Statements for the nine months ended September 30, 2001 for additional information regarding the Company's adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging activities", as amended.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See "Note 7 to the Company's Unaudited Condensed Consolidated Financial Statements" for the nine months ended September 30, 2001

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

(1) A current report on Form 8-K dated September 4, 2001 was filed on September 5, 2001, by the registrant, in connection with the press release dated September 4, 2001 announcing the Company's intention , subject to market and other conditions, to raise approximately $435 million (excluding proceeds of an overallotment option, if any) through a private offering of zero coupon convertible subordinated notes due 2021 to certain qualified institutional investors.

(2) A current report on Form 8-K dated September 6, 2001 was filed on September 6, 2001, by the registrant, announcing that the Company expects the private placement of zero coupon convertible subordinated notes due 2021 to be accretive to 2001 diluted earnings per share by $0.4 (excluding one-time charges relating to early extinguishment of debt and elimination of the related interest rate swap agreement) and expects it to be accretive to 2001 earnings per share by $0.11.

(3) A current report on Form 8-K dated September 6, 2001 was filed on September 6, 2001, by the registrant, in connection with the press release dated September 6, 2001 announcing the terms of its private placement of zero coupon convertible subordinated notes due 2021 with an aggregate principal amount at maturity of $650 million.

(4) A current report on Form 8-K dated September 19, 2001 was filed on September 19, 2001, by the registrant, in connection with the press release dated September 19, 2001 which confirmed that it had previously completed its private placement of zero coupon convertible subordinated notes due 2021, the effect of which is expected to be accretive to 2001 diluted earnings per share by $0.04 (excluding one-time charges relating to early extinguishment of debt and elimination of the related interest rate swap agreements) and expected to be accretive to 2002 earnings per share by $0.11. The Company received approximately $427 million in net proceeds from the offering.

(b) Reports on Form 8-K (continued)

(5) A current report on Form 8-K dated September 21, 2001 was filed on September 21, 2001, by the registrant, in connection with the press release dated September 21, 2001 announcing that its National Genetics Institute Inc. had its Bioligics License applications for the UltraQual? GCV RT-PCR and UltraQual? HIV-1 RT_PCR assays approved by the U.S. Food and Drug Administration.

(6) A current report on Form 8-K dated October 10, 2001 was filed on October 10, 2001, by the registrant, in connection with the press release dated October 10, 2001 announcing that Thomas P. Mac Mahon, chairman and chief executive officer, was scheduled to speak at the UBS Warburg Global Life Sciences Conference in New York City, NY on Thursday, October 11 at 1:00 p.m. Eastern Time.

(7) A current report on Form 8-K dated October 22, 2001 was filed on October 22, 2001, by the registrant, in connection with the press release dated October 22, 2001 announcing results for the quarter ended September 30, 2001.

(8) A current report on Form 8-K dated October 22, 2001 was filed on October 22, 2001, by the registrant, in connection with the press release dated October 22, 2001 announcing summary information of the Company.

(9) A current report on Form 8-K dated November 5, 2001 was filed on November 5, 2001, by the registrant, in connection with the press release dated November 5, 2001 announcing that Thomas P. Mac Mahon, chairman and chief executive officer, was scheduled to speak at the CIBC World Markets 12th Annual Health Care Conference in New York City, NY on Tuesday, November 6 at 8:30 a.m. Eastern Time.

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

November 9, 2001