

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 MARCH 31, 2004

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 X No

Indicate by check mark whether the registrant is an accelerated filer
(as defined in Rule 12b-2 of the Exchange Act. Yes X No

The number of shares outstanding of the issuer's common stock is
141,366,619 shares, net of treasury stock as of April 30, 2004.

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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)

	March 31, 2004	December 31, 2003
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 169.0	\$ 123.0
Accounts receivable, net	451.5	432.5
Supplies inventories	47.6	47.0
Prepaid expenses and other	26.0	36.3
Deferred income taxes	13.7	19.1
	-----	-----
Total current assets	707.8	657.9
Property, plant and equipment, net	356.9	361.3
Goodwill	1,286.8	1,285.9
Intangible assets, net	560.1	571.4
Investments in equity affiliates	504.2	505.3
Other assets, net	63.5	33.1
	-----	-----
	\$ 3,479.3	\$ 3,414.9
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 84.4	\$ 73.0
Accrued expenses and other	167.8	161.1
Zero coupon-subordinated notes	525.8	523.2
Current portion of long-term debt	0.1	0.3
	-----	-----
Total current liabilities	778.1	757.6
5 1/2% senior notes	353.7	353.8
Long-term debt, less current portion	2.5	2.5
Capital lease obligations	4.0	4.4
Deferred income taxes	283.5	273.4
Other liabilities	127.6	127.3
Commitments and contingent liabilities	--	--
Shareholders' equity:		
Preferred stock, \$0.10 par value; 30,000,000 shares authorized; shares issued: none	--	--
Common stock, \$0.10 par value; 265,000,000 shares authorized; 149,406,895 and 148,855,110 shares issued and outstanding at March 31, 2004 and December 31, 2003, respectively	14.9	14.9
Additional paid-in capital	1,457.7	1,440.9
Retained earnings	674.4	587.1
Treasury stock, at cost; 7,422,853 shares and 5,521,620 shares at March 31, 2004 and December 31, 2003, respectively	(232.6)	(159.3)
Unearned restricted stock compensation	(16.3)	(22.4)
Accumulated other comprehensive loss	31.8	34.7
	-----	-----
Total shareholders' equity	1,929.9	1,895.9
	-----	-----
	\$ 3,479.3	\$ 3,414.9
	=====	=====

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)

	Three Months Ended March 31,	
	----- 2004 -----	----- 2003 -----
Net sales	\$ 752.5	\$ 712.2
Cost of sales	434.9	415.7
Gross profit	----- 317.6	----- 296.5
Selling, general and administrative expenses	163.0	163.3
Amortization of intangibles and other assets	10.3	8.5
Operating income	----- 144.3	----- 124.7
Other income (expenses):		
Interest expense	(9.3)	(11.4)
Income from equity investments, net	12.6	9.8
Investment income	0.5	2.3
Other, net	(0.1)	(0.1)
Earnings before income taxes	----- 148.0	----- 125.3
Provision for income taxes	60.7	51.4
Net earnings	----- \$ 87.3 =====	----- \$ 73.9 =====
Basic earnings per common share	\$ 0.62 =====	\$ 0.51 =====
Diluted earnings per common share	\$ 0.61 =====	\$ 0.51 =====

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 AND SHARES IN MILLIONS)
(Unaudited)

	Common Stock Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings
	-----	-----	-----	-----
PERIOD ENDED MARCH 31, 2003				
Balance at beginning of year	148.0	\$ 14.8	\$1,406.5	\$ 266.1
Comprehensive earnings:				
Net earnings	--	--	--	73.9
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	--	--
Comprehensive earnings				
Issuance of common stock	--	--	3.7	--
Issuance of restricted stock awards	--	--	--	--
Amortization of unearned restricted stock compensation	--	--	--	--
Income tax benefit from stock options exercised	--	--	2.4	--
Surrender of restricted stock awards	--	--	--	--
Assumption of vested stock options in connection with acquisition	--	--	8.5	--
Purchase of common stock	--	--	--	--
	-----	-----	-----	-----
BALANCE AT MARCH 31, 2003	148.0	\$ 14.8	\$1,421.1	\$ 340.0
	=====	=====	=====	=====
PERIOD ENDED MARCH 31, 2004				
Balance at beginning of year	148.9	\$ 14.9	\$1,440.9	\$ 587.1
Comprehensive earnings:				
Net earnings	--	--	--	87.3
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	--	--
Tax effect of other comprehensive loss adjustments	--	--	--	--
Comprehensive earnings				
Issuance of common stock	0.5	--	13.7	--
Issuance of restricted stock awards	--	--	0.4	--
Amortization of unearned restricted stock compensation	--	--	--	--
Income tax benefit from stock options exercised	--	--	2.7	--
Surrender of restricted stock awards	--	--	--	--
Assumption of vested stock options in connection with acquisition	--	--	--	--
Purchase of common stock	--	--	--	--
	-----	-----	-----	-----
BALANCE AT MARCH 31, 2004	149.4	\$ 14.9	\$1,457.7	\$ 674.4
	=====	=====	=====	=====

(continued)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
(DOLLARS AND SHARES IN MILLIONS)
(Unaudited)

	Treasury Stock	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
PERIOD ENDED MARCH 31, 2003				
Balance at beginning of year	\$ (4.4)	\$ (41.4)	\$ (29.9)	\$1,611.7
Comprehensive earnings:				
Net earnings	--	--	--	73.9
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	32.2	32.2
Tax effect of other comprehensive loss adjustments	--	--	(12.9)	(12.9)

Comprehensive earnings				93.2
Issuance of common stock	--	--	--	3.7
Issuance of restricted stock awards	--	--	--	--
Amortization of unearned restricted stock compensation	--	4.5	--	4.5
Income tax benefit from stock options exercised	--	--	--	2.4
Surrender of restricted stock awards	(4.8)	--	--	(4.8)
Assumption of vested stock options in connection with acquisition	--	--	--	8.5
Purchase of common stock	(34.0)	--	--	(34.0)
	-----	-----	-----	-----
BALANCE AT MARCH 31, 2003	\$ (43.2)	\$ (36.9)	\$ (10.6)	\$1,685.2
	=====	=====	=====	=====
PERIOD ENDED MARCH 31, 2004				
Balance at beginning of year	\$(159.3)	\$ (22.4)	\$ 34.7	\$1,895.9
Comprehensive earnings:				
Net earnings	--	--	--	87.3
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	(4.9)	(4.9)
Tax effect of other comprehensive loss adjustments	--	--	2.0	2.0

Comprehensive earnings				84.4
Issuance of common stock	--	--	--	13.7
Issuance of restricted stock awards	--	(0.4)	--	--
Amortization of unearned restricted stock compensation	--	6.5	--	6.5
Income tax benefit from stock options exercised	--	--	--	2.7
Surrender of restricted stock awards	(6.7)	--	--	(6.7)
Purchase of common stock	(66.6)	--	--	(66.6)
	-----	-----	-----	-----
BALANCE AT MARCH 31, 2004	\$ (232.6)	\$ (16.3)	\$ 31.8	\$1,929.9
	=====	=====	=====	=====

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

	Three Months Ended March 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 87.3	\$ 73.9
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	34.5	33.1
Stock compensation	6.5	4.5
Accreted interest on zero coupon-subordinated notes	2.6	2.6
Cumulative earnings in excess of distributions from equity affiliates	(1.9)	--
Deferred income taxes	19.8	3.6
Change in assets and liabilities (net of effects of acquisitions):		
Increase in accounts receivable, net	(19.0)	(17.2)
Increase in inventories	(0.6)	(2.1)
Decrease in prepaid expenses and other	10.2	1.5
Increase in accounts payable	11.5	7.4
(Decrease)increase in accrued expenses and other	(3.3)	27.7
	-----	-----
Net cash provided by operating activities	147.6	135.0
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(20.2)	(16.2)
Proceeds from sale of assets	1.3	0.5
Deferred payments on acquisitions	(2.7)	(5.8)
Proceeds from sale of marketable securities	--	50.4
Distributions from equity affiliates in excess of cumulative earnings	--	1.9
Acquisition of businesses, net of cash acquired	(32.6)	(618.8)
	-----	-----
Net cash used for investing activities	(54.2)	(588.0)
	-----	-----

(continued)

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

	Three Months Ended March 31,	
	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bridge loan	\$ --	\$ 350.0
Payments on bridge loan	--	(350.0)
Proceeds from revolving credit facilities	--	250.0
Payments on revolving credit facilities	--	(115.0)
Proceeds from senior note offering	--	350.0
Payments on other long-term debt	(0.2)	(0.2)
Termination of interest rate swap agreements	--	(0.2)
Debt issuance costs	--	(7.3)
Payments on long-term lease obligations	(0.3)	(0.4)
Purchase of common stock	(60.7)	(34.0)
Net proceeds from issuance of stock to employees	13.8	3.7
	-----	-----
Net cash (used)provided by financing activities	(47.4)	446.6
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	--	--
	-----	-----
Net (decrease) increase in cash and cash equivalents	46.0	(6.4)
Cash and cash equivalents at beginning of period	123.0	56.4
	-----	-----
Cash and cash equivalents at end of period	\$ 169.0	\$ 50.0
	=====	=====
Supplemental schedule of cash flow information:		
Cash paid during the period for:		
Interest	\$ 9.6	\$ 1.9
Income taxes, net of refunds	11.9	10.2
 Disclosure of non-cash financing and investing activities:		
Issuance of restricted stock awards	0.4	--
Surrender of restricted stock awards	6.7	4.8
Assumption of vested stock options	--	8.5
Accrued repurchases of common stock	5.9	--

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. On January 17, 2003, the Company completed the acquisition of DIANON Systems, Inc., (DIANON) a leading U.S. provider of anatomic pathology and oncology testing services. Disclosure of certain business combination transactions is included in Note 7 - Business Acquisitions. The Company operates in one business segment.

The financial statements of the Company's foreign subsidiaries 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 earnings(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 2003 annual report on Form 10-K. 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 earnings, less preferred stock dividends and accretion, by the weighted average number of common shares outstanding. Dilutive earnings per share is computed by dividing net earnings 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 restricted stock awards and outstanding stock options.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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 March 31,	
	2004	2003
Basic	141,793,120	145,864,065
Assumed conversion/exercise of:		
Stock options	833,382	303,968
Restricted stock awards	755,390	207,970
Diluted	143,381,892	146,376,003

The following table summarizes the potential common shares not included in the computation of diluted earnings per share because their impact would have been antidilutive:

	March 31,	
	2004	2003
Stock Options	1,513,201	4,933,210

The Company's zero coupon-subordinated notes are contingently convertible into 9,977,634 shares of common stock and are not currently included in the diluted earnings per share calculation because these notes were not convertible according to their terms at March 31, 2004. Holders of the zero coupon-subordinated 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 per note. 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 is the Company's current intention to retire the notes by a cash payment. However, future market conditions are subject to change. Should the holders put the notes to the Company on any of the dates above, the Company believes that it will be able to obtain alternate financing to satisfy this contingent obligation.

3. STOCK COMPENSATION PLANS

During February 2004, the Company granted 1,738,800 options at a price of \$39.00 under its 2000 Stock Incentive Plan.

The tax benefits associated with the exercise of non-qualified stock options reduced taxes currently payable by \$2.7 and \$2.4 for the three months ended March 31, 2004 and 2003, respectively. Such benefits are credited to additional paid-in-capital.

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

The Company applies the provisions of APB Opinion No. 25 in accounting for its employee stock option and stock purchase plans and, accordingly, no compensation cost has been recognized for these plans in the financial statements. Had the Company determined compensation cost based on the fair value method as defined in SFAS No. 123, the impact on the Company's net earnings on a pro forma basis is indicated below:

		Three Months Ended March 31,	
		----- 2004	2003 -----
Net earnings, as reported		\$ 87.3	\$ 73.9
Add: Stock-based compensation under APB 25		--	--
Deduct: Total stock-based compensation expense determined under fair value method for all awards, net of related tax effects		(6.1)	(6.5)
Pro forma net income		\$ 81.2	\$ 67.4
		=====	=====
Basic earnings per common share			
	As reported	\$ 0.62	\$ 0.51
	Pro forma	0.57	0.46
Diluted earnings per common share			
	As reported	\$ 0.61	\$ 0.51
	Pro forma	0.57	0.46

4. STOCK REPURCHASE PROGRAM

On December 17, 2003, the Company's Board of Directors authorized a stock repurchase program under which the Company may purchase up to an aggregate of \$250.0 of its common stock from time-to-time, beginning in the first quarter of 2004. During the first quarter of 2004, the Company purchased approximately 1.7 million shares of its common stock totaling \$66.6 with cash flow from operations. It is the Company's intention to fund future purchases of its common stock with cash flow from operations.

5. SENIOR CREDIT FACILITIES

On January 13, 2004, the Company entered into a new \$150.0 364-day revolving credit facility with Credit Suisse First Boston, acting as Administrative Agent, and a group of financial institutions to replace the existing \$150.0 364-day revolving credit facility, which had terminated. The \$200.0 three-year revolving credit facility was amended on January 14, 2003 and expires on February 18, 2005. These credit facilities bear interest at varying rates based upon the Company's credit rating with Standard & Poor's Ratings Services. There were no balances outstanding on the Company's senior credit facilities at March 31, 2004.

The senior credit facilities are available for general corporate purposes, including working capital, capital expenditures, funding of share repurchases and other payments,

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

and acquisitions. The agreements contain certain debt covenants which require that the Company maintain leverage and interest coverage ratios of 2.5 to 1.0 and 5.0 to 1.0, respectively. Both ratios are calculated in relation to EBITDA (Earnings Before Interest Taxes Depreciation and Amortization). The covenants also limit the payment of dividends. The Company is in compliance with all covenants at March 31, 2004.

6. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap agreements, which have been used by the Company from time to time in the management of interest rate exposure, are accounted for at fair value. Amounts to be paid or received under such agreements are recognized as interest income or expense in the periods in which they accrue.

The Company's zero coupon-subordinated notes contain the following three features that are considered to be embedded derivative instruments under Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities":

- 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 on the zero coupon-subordinated notes during the two-year period from September 11, 2004 to September 11, 2006, if the Company's stock price 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 & Poor's Ratings Services is BB- or lower.

Based upon independent appraisals, these embedded derivatives had no fair market value at March 31, 2004 and 2003.

7. BUSINESS ACQUISITION - DIANON SYSTEMS, INC.

On January 17, 2003, the Company completed the acquisition of all of the outstanding shares of DIANON Systems, Inc. (DIANON) for \$47.50 per share in cash, or approximately \$595.6 including transaction fees and expenses, and converted approximately 390,000 vested DIANON employee stock options into approximately 690,000 vested Company options valued at \$8.5. The transaction total of approximately \$604.5 was funded by a combination of cash on hand, borrowings under the Company's senior credit facilities and a bridge loan facility.

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

The following unaudited pro forma combined financial information for the three months ended March 31, 2003 assumes that the DIANON acquisition which was closed by the Company on January 17, 2003, was acquired on January 1, 2003:

	Three Months Ended March 31, 2003
Net sales	\$ 720.2
Net earnings	74.0
 Diluted earnings per common share	 0.51

8. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill (net of accumulated amortization) for the period ended March 31, 2004 and for the year ended December 31, 2003 are as follows:

	March 31, 2004	December 31, 2003
Balance as of January 1	\$ 1,285.9	\$ 910.1
Goodwill acquired during the period	0.9	388.7
Adjustments to goodwill	--	(12.9)
	\$ 1,286.8	\$ 1,285.9
	=====	=====

The components of identifiable intangible assets are as follows:

	March 31, 2004		December 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer lists	\$ 581.5	\$ 125.3	\$ 582.5	\$ 118.1
Patents, licenses and technology	67.2	12.8	67.2	11.1
Non-compete agreements	23.0	18.6	23.0	18.1
Trade name	49.5	4.4	49.6	3.6
	\$ 721.2	\$ 161.1	\$ 722.3	\$ 150.9
	=====	=====	=====	=====

Amortization of intangible assets was \$10.3 and \$8.5 for the three-month periods ended March 31, 2004 and 2003, respectively. Amortization expense for the net carrying amount of intangible assets is estimated to be \$30.7 for the remainder of fiscal 2004, \$40.3 in fiscal 2005, \$38.9 in fiscal 2006, \$37.4 in fiscal 2007, and \$35.4 in fiscal 2008.

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

9. 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, 2003	\$ 4.0	\$26.8	\$30.8
Cash payments	(0.7)	(1.9)	(2.6)
	-----	-----	-----
Balance at March 31, 2004	\$ 3.3	\$24.9	\$28.2
	=====	=====	=====
Current			\$12.4
Non-current			15.8

			\$28.2
			=====

10. COMMITMENTS AND CONTINGENCIES

The Company is involved in litigation purporting to be a nation-wide class action involving the alleged overbilling of patients who are covered by private insurance. The Company has reached a settlement with the class that will not materially differ from accruals previously established or have a material adverse effect on the Company. The Company has now substantially implemented its obligations under the settlement. On January 9, 2001, the Company was served with a complaint in North Carolina which purported to be a class action and made claims similar to those referred to above. That claim has now been dismissed with prejudice.

On June 24, 2003, the Company and certain of its executive officers were sued in the United States District Court for the Middle District of North Carolina in the first of a series of putative shareholder class actions alleging securities fraud. Since that date, at least five other complaints containing substantially identical allegations have been filed against the Company and certain of the Company's executive officers. Each of the complaints alleges that the defendants violated the federal securities laws by making material misstatements and/or omissions that caused the price of the Company's stock to be artificially inflated between February 13 and October 3, 2002. The plaintiffs seek certification of a class of substantially all persons who purchased shares of the Company's stock during that time period and unspecified monetary damages. These six cases have been consolidated and will proceed as a single case. The defendants deny any liability and intend to defend the case vigorously. The plaintiffs have recently filed a consolidated amended complaint. The defendants are preparing to file a motion to dismiss this complaint and continue to defend the case vigorously. At this time, it is premature to make any assessment of the potential outcome of the cases or whether they could have a material adverse effect on the Company's financial condition.

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

The Company is the appellant in a patent case originally filed in the United States District Court for the District of Colorado. The Company has disputed liability and contested the case vigorously. After a jury trial, the district court entered judgment against the Company for patent infringement. The Company appealed the case to the United States Court of Appeals for the Federal Circuit. The Company has received a letter from its counsel dated February 6, 2004, stating "it remains our opinion that the amended judgment and order will be reversed on appeal."

The Company is a party to two lawsuits involving Chiron Inc. relating to Hepatitis C and HIV testing. Chiron asserts that the Company has infringed on Chiron's patents in each of these areas. The Company denies liability and intends to contest the suits vigorously. It is premature at this juncture to assess the likely outcome of these matters, or to determine whether they will have a material effect on the Company.

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, intellectual property disputes, professional liability, employee related matters, and inquiries from governmental agencies and Medicare or Medicaid payors and managed care payors 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 is not expected to have a material adverse effect on the financial position, results of operations or liquidity of the Company. The Company is also named from time to time in suits brought under the qui tam provisions of the False Claims Act. These suits typically allege that the Company has made false statements and/or certifications in connection with claims for payment from federal health care programs. They may remain under seal (hence, unknown to the Company) for some time while the government decides whether to intervene on behalf of the qui tam plaintiff. Such claims are an inevitable part of doing business in the health care field today and, in the opinion of management, based upon the advice of counsel and consideration of all facts available at this time, the ultimate disposition of those qui tam matters presently known to the Company is not expected to 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.

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

Under the Company's present insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. The Company is responsible for the uninsured portion of losses related primarily to general, professional and vehicle liability, certain medical costs and workers' compensation. The self-insured retentions are on a per occurrence basis without any aggregate annual limit. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregated liability of claims incurred. At March 31, 2004 and 2003, the Company had provided letters of credit aggregating approximately \$55.5 and \$48.6 respectively, primarily in connection with certain insurance programs.

11. PENSION AND POSTRETIREMENT PLANS

Substantially all employees of the Company are covered by a defined benefit retirement plan (the "Company Plan"). The benefits to be paid under the Company Plan are based on years of credited service and average final compensation. The Company's policy is to fund the Company Plan with at least the minimum amount required by applicable regulations.

The Company has a second defined benefit plan which covers its senior management group that provides for the payment of the difference, if any, between the amount of any maximum limitation on annual benefit payments under the Employee Retirement Income Security Act of 1974 and the annual benefit that would be payable under the Company Plan but for such limitation. This plan is an unfunded plan.

The components of net periodic pension cost for both of the defined benefit plans are summarized as follows:

	Three Months Ended March 31,	
	2004	2003

Components of net periodic benefit cost		
Service Cost	\$ 3.2	\$ 3.1
Interest Cost	3.1	3.2
Expected return on plan assets	(3.7)	(3.2)
Net amortization and deferral	0.4	0.9
	----	----
Net periodic pension cost	\$ 3.0	\$ 4.0
	=====	=====

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
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The Company assumed obligations under a subsidiary's postretirement medical plan. Coverage under this plan is restricted to a limited number of existing employees of the subsidiary. This plan is unfunded and the Company's policy is to fund benefits as claims are incurred. The components of postretirement benefit expense are as follows:

	Three Months Ended March 31,	
	2004	2003
Components of postretirement benefit expense		
Service Cost	\$ 0.2	\$ 0.2
Interest Cost	1.0	0.8
Net amortization and deferral	(0.5)	(0.5)
Amortization of actuarial loss	0.4	0.2
Postretirement benefit expense	\$ 1.1	\$ 0.7

The Company previously disclosed in its financial statements for the year ended December 31, 2003, that it expected to contribute \$34.6 to its defined pension plan in 2004. As of March 31, 2004, \$13.6 of contributions have been made. The Company presently anticipates contributing an additional \$21.0 to fund its pension plan in 2004 for a total of \$34.6.

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 by 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. 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 Needlestick Safety and Prevention Act which may result in penalties and loss of licensure;
5. failure to comply with HIPAA, which could result in significant fines;
6. failure of third party payors to complete testing with the Company, or accept or remit transactions in HIPAA-required standard transaction and code set format, could result in an interruption in the Company's cash flow;
7. increased competition, including price competition;
8. changes in payor mix, including an increase in capitated managed-cost health care;
9. failure to obtain and retain new customers and alliance partners, or a reduction in tests ordered or specimens submitted by existing customers;

- 10.failure to integrate newly acquired businesses and the cost related to such integration;
- 11.adverse results in litigation matters;
- 12.inability to attract and retain experienced and qualified personnel;
- 13.failure to maintain the Company's days sales outstanding levels;
- 14.decrease in credit ratings by Standard & Poor's and/or Moody's;
- 15.failure to develop or acquire licenses for new or improved technologies, or if customers use new technologies to perform their own tests;
- 16.inability to commercialize newly licensed tests or technologies or to obtain appropriate reimbursements for such tests, which could result in impairment in the value of certain capitalized licensing costs;
- 17.inability to obtain and maintain adequate patent and other proprietary rights protection of the Company's products and services and successfully enforce the Company's proprietary rights;
- 18.the scope, validity and enforceability of patents and other proprietary rights held by third parties which might have an impact on the Company's ability to develop, perform, or market the Company's tests or operate its business;
- 19.failure in the Company's information technology systems resulting in an increase in testing turnaround time or billing processes;
- 20.liabilities that result from the inability to comply with new Corporate governance requirements; and
- 21.compliance by the Company with the Sarbanes-Oxley Act of 2002, including Section 404 of that Act which requires management to report on, and our independent auditors to attest to and report on, our internal controls, will require management to devote substantial time and attention, which could prove to be disruptive to product development and licensing, marketing and other business activities and will require additional legal, accounting and other expenses to implement the requirements of these new rules.

RESULTS OF OPERATIONS

As discussed in the Company's Annual Report for the year ended December 31, 2003, the Company acquired DIANON Systems, Inc. on January 17, 2003. All dollar amounts are in millions.

Three Months ended March 31, 2004 compared with Three Months ended March 31, 2003.

Net sales for the three months ended March 31, 2004 were \$752.5, an increase of \$40.3, or approximately 5.7%, from \$712.2 for the comparable 2003 period. The sales increase is a result of an increase of approximately 5.7% in volume (primarily volume growth in genomic and esoteric testing of approximately 10% as well as volume growth of approximately 5% in the base business). Price was essentially flat for the quarter.

Cost of sales, which includes primarily laboratory and distribution costs, was \$434.9 for the three months ended March 31, 2004 compared to \$415.7 in the corresponding 2003 period, an increase of \$19.2. The increase in cost of sales is primarily the result of increases in volume discussed above. Cost of sales as a percentage of net sales was 57.8% for the three months ended March 31, 2004 and 58.4% in the corresponding 2003 period. Cost of sales as a percentage of sales was impacted by the Company's ongoing cost reduction programs.

Selling, general and administrative expenses decreased to \$163.0 for the three months ended March 31, 2004 from \$163.3 in the same period in 2003. As a percentage of net sales, selling, general and administrative expenses were 21.7% and 22.9% for the three months ended March 31, 2004 and 2003, respectively. This decrease in selling, general and administrative expenses as a percentage of net sales is a result of realized synergies from the Dynacare and DIANON acquisitions, as well as a reduced effective bad debt expense rate, resulting from improved billing performance.

The amortization of intangibles and other assets was \$10.3 and \$8.5 for the three months ended March 31, 2004 and 2003. The increase in the amortization expense for the three months ended March 31, 2004 is a result of the acquisition of DIANON.

Interest expense was \$9.3 for the three months ended March 31, 2004 compared with \$11.4 for the same period in 2003. This decrease was a direct result of the Company's financing of the DIANON acquisition in 2003.

Income from equity investments was \$12.6 for the three months ended March 31, 2004 compared with \$9.8 for the same period in 2003. This income represents the Company's ownership share in equity affiliates acquired as part of the Dynacare acquisition on July 25, 2002. A significant portion of this income is derived from investments in Ontario and Alberta, Canada, and is earned in Canadian dollars.

The provision for income taxes as a percentage of earnings before taxes was 41.0% for the three months ended March 31, 2004 compared to 41.0% for the three months ended March 31, 2003.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$147.6 and \$135.0 for the three months ended March 31, 2004 and March 31, 2003, respectively. The increase in cash flows from operations primarily resulted from improved earnings, the expansion of the business through acquisitions, and the improvement of the Company's accounts receivable days' sales outstanding ("DSO") to 54 days at March 31, 2004 from 55 days at March 31, 2003.

Capital expenditures were \$20.2 and \$16.2 at March 31, 2004 and 2003, respectively. The Company expects total capital expenditures of approximately \$90.0 to \$100.0 in 2004. These expenditures are intended to continue to improve information systems and further automate laboratory processes. Such expenditures are expected to be funded by cash flow from operations.

On December 17, 2003, the Company's Board of Directors authorized a stock repurchase program under which the Company may purchase up to an aggregate of \$250.0 of its common stock from time-to-time, beginning in the first quarter of 2004. During the first quarter of 2004, the Company purchased approximately 1.7 million shares of its common stock totaling \$66.6 with cash flow from operations. It is the Company's intention to fund future purchases of its common stock with cash flow from operations.

Based on current and projected levels of operations, coupled with availability under its revolving credit facilities, the Company believes it has sufficient liquidity to meet both its short-term and long-term cash needs.

CONTRACTUAL CASH OBLIGATIONS

	Payments Due by Period			
	< 1 Yr	1-3 Yrs	3-5 Yrs	> 5 Yrs
Capital lease obligations	\$ 3.5	\$ 5.7	\$ 1.2	\$ --
Operating leases	55.4	72.1	34.1	25.3
Restructuring obligations	3.1	6.7	6.2	6.8
Contingent future licensing payments	24.6(b)	15.6	19.0	0.5
Royalty payments	0.3	1.8	2.0	--
5 1/2% Senior Notes	--	--	--	350.0
Zero Coupon-Subordinated Notes	530.5(a)	--	--	--
Total contractual Cash obligations	\$617.4	\$101.9	\$ 62.5	\$382.6

(a) Holders of the zero coupon-subordinated 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 per note. 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 is the Company's current intention to retire the notes by a cash payment.

However, future market conditions are subject to change. Should the holders put the notes to the Company on any of the dates above, the Company believes that it will be able to obtain alternate financing to satisfy this contingent obligation.

(b) Contingent future licensing payments will be made in the event that certain events take place, such as the launch of a specific test, the transfer of certain technology, and when specified revenue milestones are met.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

The Company addresses its exposure to market risks, principally the market risk associated with changes in interest rates, through a controlled program of risk management that has included in the past, the use of derivative financial instruments such as interest rate swap agreements. The Company had an interest rate swap agreement with a major financial institution, solely to manage its interest rate exposure on \$175.0 million of its 5 1/2% senior notes. This swap agreement was terminated during June 2003 and the Company received net proceeds of \$5.3 million. Although, as set forth below, the Company's zero coupon-subordinated notes contain features that are considered to be embedded derivative instruments, the Company does not hold or issue derivative financial instruments for trading purposes. The Company does not believe that its exposure to market risk is material to the Company's financial position or results of operations.

The Company's zero coupon-subordinated notes contain the following three features that are considered to be embedded derivative instruments under SFAS 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 on the zero coupon-subordinated notes during the two-year period from September 11, 2004 to September 11, 2006, if the Company's stock price 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 & Poor's Ratings Services is BB- or lower.

Based upon independent appraisals, these embedded derivatives had no fair value at March 31, 2004.

ITEM 4. Controls and Procedures

As of the end of the period covered by this Form 10-Q, the Company carried out, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information which is required to be included in the periodic reports that the Company must file with the Securities and Exchange Commission.

There were no significant changes in the Company's internal controls or in other factors that could adversely affect the internal controls as of the end of the first fiscal quarter.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See "Note 10 to the Company's Unaudited Condensed Consolidated Financial Statements" for the three months ended March 31, 2004, which is incorporated by reference.

Item 2 Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

(e) Issuer Purchases of Equity Securities (Dollars and Shares in millions except per share amounts)

	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number Of Shares Repurchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Repurchased Under the Program
January 1-January 31	0.3	\$38.317	0.3	\$239.5
February 1-February 29	0.4	38.872	0.7	223.2
March 1-March 31	1.0	38.562	1.7	183.4
Total	1.7	38.599	1.7	183.4

On December 17, 2003, the Company's Board of Directors authorized and announced stock repurchase program under which the Company may purchase up to an aggregate of \$250.0 of its common stock from time-to-time, beginning in the first quarter of 2004.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer
- 32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer and the Chief Financial Officer

(b) Reports on Form 8-K

N/A

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

May 5, 2004

Certification

I, Thomas P. Mac Mahon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Laboratory Corporation of America Holdings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2004

/s/ THOMAS P. MAC MAHON

Thomas P. Mac Mahon
Chief Executive Officer

Certification

I, Wesley R. Elingburg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Laboratory Corporation of America Holdings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2004

/s/ WESLEY R. ELINGBURG

Wesley R. Elingburg
Chief Financial Officer

Written Statement of
Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.
Section 1350)

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Laboratory Corporation of America Holdings (the "Company"), each hereby certifies that, to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the Period Ended March 31, 2004 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ THOMAS P. MAC MAHON

Thomas P. Mac Mahon
Chief Executive Officer
May 5, 2004

By: /s/ WESLEY R. ELINGBURG

Wesley R. Elingburg
Chief Financial Officer
May 5, 2004