FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

LABONE INC/

CIK:**830158**| IRS No.: **431039532** | State of Incorp.:**MO** | Fiscal Year End: **1231**
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended June 30, 2004

Commission file number: 0-16946

LabOne, Inc.

10101 Renner Blvd.

Lenexa, Kansas 66219

(913) 888-1770

Incorporated in Missouri

I.R.S. Employer Identification Number: 43-1039532

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 / /

Number of shares outstanding of the only class of Registrant's common stock, $.01 par value, as of July 30, 2004 - 17,101,129.

LabOne, Inc.

Form 10-Q for the Second Quarter, 2004

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PART I. FINANCIAL INFORMATION

ITEM 1 - Financial Statements

LabOne, Inc. and Subsidiaries

Consolidated Balance Sheets
(in thousands, except share and per share data)

	June 30, 2004 (unaudited)	December 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,075**	$ 4,651
Accounts receivable, net of allowance for doubtful accounts of $6,615 in 2004 and $6,123 in 2003	**72,632**	57,928
Inventories	**7,456**	5,472
Prepaid expenses and other current assets	**4,439**	5,202
Deferred income taxes	**6,303**	4,990
Total current assets	**93,905**	78,243
Property, plant and equipment, net	**54,283**	47,405
Goodwill	**137,624**	99,103
Intangible assets, net	**22,614**	11,345
Other long-term assets	**3,680**	1,526
Total assets	**$ 312,106**	$ 237,622
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 21,743**	$ 13,617
Accrued payroll and benefits	**14,486**	11,769
Other accrued expenses	**3,580**	2,787
Current portion of long-term debt	**1,963**	2,014
Total current liabilities	**41,772**	30,187
Deferred income taxes	**6,220**	5,619
Long-term debt	**101,716**	56,094
Other	**3**	21

	2004	2003
Total liabilities	**149,711**	91,921
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value per share. Authorized 40,000,000 shares; issued 18,027,729 shares in 2004 and 2003	**180**	180
Additional paid-in capital	**86,078**	84,066
Retained earnings	**88,417**	76,250
Accumulated other comprehensive loss	**(478)**	(245)
Treasury stock of 928,600 shares in 2004 and 1,144,840 shares in 2003, at cost	**(11,802)**	(14,550)
Total stockholders' equity	**162,395**	145,701
Total liabilities and stockholders' equity	**$ 312,106**	$ 237,622

See accompanying notes to consolidated financial statements.

LabOne, Inc. and Subsidiaries

Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	**2004**	2003
Sales	**$ 117,483**	$ 83,963	**$ 230,308**	$ 165,891
Cost of sales:				
Cost of sales expenses	**78,932**	55,994	**155,002**	111,039
Depreciation and amortization	**1,675**	1,093	**3,223**	2,138
Total cost of sales	**80,607**	57,087	**158,225**	113,177
Gross profit	**36,876**	26,876	**72,083**	52,714
Selling, general and administrative:				
Selling, general and administrative expenses	**23,226**	16,957	**45,290**	33,107
Depreciation and amortization	**2,401**	1,382	**4,832**	3,195
Total selling, general and administrative	**25,627**	18,339	**50,122**	36,302
Operating earnings	**11,249**	8,537	**21,961**	16,412
Other income (expense):				
Interest income	**61**	14	**67**	105
Interest expense	**(1,256)**	(699)	**(2,474)**	(1,415)
Other, net	**21**	79	**(5)**	108
Total other expense, net	**(1,174)**	(606)	**(2,412)**	(1,202)
Earnings before income taxes	**10,075**	7,931	**19,549**	15,210
Provision for income taxes	**3,788**	2,886	**7,382**	5,614

Net earnings	**$ 6,287**	$ 5,045	**$ 12,167**	$ 9,596
Preferred stock dividends	**$ –**	$ (787)	**$ –**	$ (1,555)
Net earnings available to common shareholders	**$ 6,287**	$ 4,258	**$ 12,167**	$ 8,041
Earnings per common share:				
Basic	**$ 0.37**	$ 0.36	**$ 0.72**	$ 0.69
Diluted	**$ 0.36**	$ 0.30	**$ 0.70**	$ 0.57
Weighted average common shares outstanding:				
Basic	**17,060**	11,691	**17,002**	11,680
Diluted	**17,473**	16,746	**17,448**	16,679

See accompanying notes to consolidated financial statements.

LabOne, Inc. and Subsidiaries

Consolidated Statement of Stockholders' Equity
Six Months Ended June 30, 2004
(in thousands,except share data)
(unaudited)

	Common stock	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Treasury stock**	**Comprehensive income**	**Total stockholders' equity**
Balance at December 31, 2003	$ 180	$ 84,066	$ 76,250	$ (245)	$ (14,550)		$ 145,701
Comprehensive income:							
Net earnings			12,167			$ 12,167	12,167
Adjustment from foreign currency translation				(233)		(233)	(233)
Comprehensive income						$ 11,934	
Stock options exercised (214,582 shares)		605			2,727		3,332
Tax benefit from exercise of stock options		1,378					1,378
Directors' stock compensation (1,658 shares)		29			21		50
Balance as of June 30, 2004	$ 180	$ 86,078	$ 88,417	$ (478)	$(11,802)		$ 162,395

See accompanying notes to consolidated financial statements.

LabOne, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)
(unaudited)

	Six months ended June 30, 2004	Six months ended June 30, 2003
Cash flows from operating activities:		
Net earnings	**$ 12,167**	$ 9,596
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**8,852**	5,636
Provision for loss on accounts receivable	**4,893**	3,235
Income tax benefit from exercise of stock options	**1,378**	305
Directors' stock compensation	**50**	17
Deferred income taxes	**(714)**	(1,225)
(Gain) loss on sale of property, plant and equipment	**62**	(32)
Change in assets and liabilities, net of effects of acquisitions:		
Accounts and note receivable	**(16,391)**	(6,897)
Inventories	**(595)**	(344)
Prepaid expenses and other current assets	**903**	(444)
Accounts payable	**7,566**	276
Accrued payroll and benefits	**2,716**	573
Other accrued expenses	**570**	1,268
Other	**(147)**	(81)
Net cash provided by operations	**21,310**	11,883
Cash flows from investing activities:		
Capital expenditures	**(8,830)**	(3,807)
Acquisition of businesses	**(60,027)**	(1,358)
Proceeds from sale of property, plant, and equipment	**23**	53
Acquisition of patents	**(24)**	–
Net cash used in investing activities	**(68,858)**	(5,112)
Cash flows from financing activities:		
Net payments on line of credit	**(44,253)**	(5,000)
Net proceeds from issuance of convertible debentures	**87,200**	–
Payments on other long-term debt	**(199)**	(66)
Proceeds from exercise of stock options	**3,332**	2,005
Purchase of treasury stock	**–**	(1,556)
Net cash provided by (used in) financing activities	**46,080**	(4,617)
Effect of foreign currency translation on cash	**(108)**	319
Net increase (decrease) in cash and cash equivalents	**(1,576)**	2,473
Cash and cash equivalents at beginning of period	**4,651**	8,108
Cash and cash equivalents at end of period	**$ 3,075**	$ 10,581
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	**$ 6,668**	$ 6,182
Interest	**1,798**	915

Supplemental schedule of non-cash investing and financing activities:

Preferred stock dividends payable in kind	**$ –**	$ 1,555
Details of acquisitions:		
Fair value of assets acquired	**$ 60,843**	$ 1,358
Liabilities assumed	**(816)**	–
Cash paid for acquisitions	**$ 60,027**	$ 1,358

See accompanying notes to consolidated financial statements.

LabOne, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Unaudited)

(1) Basis of Presentation

Description of Business

LabOne, Inc. ("LabOne" or the "Company") is a diagnostic services provider. The services and information LabOne and its subsidiaries provide include: risk assessment information services for the insurance industry; diagnostic healthcare testing; and substance abuse testing services and related employee qualification products.

The financial information furnished herein as of June 30, 2004, and for the periods ended June 30, 2004 and 2003, is unaudited; however, in the opinion of management, it reflects all adjustments, consisting of normal recurring adjustments, which are necessary to fairly state the Company's financial position, the results of its operations and its cash flows. The balance sheet information as of December 31, 2003 has been derived from the audited consolidated financial statements as of that date. The financial statements have been prepared in conformity with generally accepted accounting principles in the United States appropriate in the circumstances, and included in the financial statements are certain amounts based on management's estimates and judgments.

The financial information herein is not necessarily representative of a full year's operations because levels of sales, capital additions and other factors fluctuate throughout the year. These same considerations apply to all year-to-year comparisons. Certain information and note disclosures normally included in the Company's annual financial statements have been condensed or omitted. These condensed, consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Certain amounts have been reclassified from the prior period consolidated financial statements to conform with the current year presentation.

(2) Acquisitions

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed for businesses acquired during the first six months of 2004:

	Laboratory Operations of The Health Alliance	**Northwest Toxicology**	**Paramedical Service Providers**
		(in thousands)	
Current assets	$ 1,614	$ 2,662	$ 763
Property, plant and equipment	2,933	812	215

Goodwill	29,488	7,519	1,489
Intangible assets:			
Non compete and non solicitation agreements	1,200	250	76
Customer contract	3,500	–	–
Customer relations	5,200	1,000	1,957
Other long-term assets	–	11	5
Total assets acquired	43,935	12,254	4,505
Current liabilities	–	22	760
Current portion of long-term debt	–	34	–
Total liabilities assumed	–	56	760
Net assets acquired	$ 43,935	$ 12,198	$ 3,745

Laboratory Operations of The Health Alliance

On January 4, 2004, the Company acquired, for cash, substantially all of the assets associated with the core laboratory operations of The Health Alliance of Greater Cincinnati (the "Health Alliance") for $43,935,000, including transaction and other costs of $1,585,000. The core laboratory operations acquired provide outreach laboratory testing services for physicians in the Greater Cincinnati area and reference laboratory for the six hospitals affiliated with the Health Alliance. In connection with the acquisition, the Company entered into a long-term service agreement for the Company to provide reference testing for the Health Alliance hospitals and management of their six immediate response laboratories.

Goodwill of $29,488,000, including workforce in place, was assigned to the clinical - health care services segment and is expected to be deductible for tax purposes. The amortization periods for the intangible assets acquired are: non compete and non solicitation agreement - 10 years; customer contract - 5 years; and customer relations - 10 years.

Northwest Toxicology

On March 1, 2004, the Company acquired, for cash, substantially all of the net assets of the drug testing division, Northwest Toxicology, from NWT Inc. for $12,198,000, including net working capital of $2,117,000 and transaction costs of $81,000. The acquisition will result in additional urine and oral fluid testing volumes directed to LabOne's Lenexa, Kansas laboratory, and furthers the Company's capabilities to include drugs of abuse testing in blood, expanded specimen validity testing, medical professional and other esoteric drug testing. Of the purchase price, $300,000 remains in escrow for post-closing adjustments, if any, to beginning working capital. Any amounts paid back to the Company will be reflected, when received, as an adjustment to the net assets acquired.

Goodwill of $7,519,000, including workforce in place, was assigned to the clinical - substance abuse testing segment and is expected to be deductible for tax purposes. The amortization periods for the intangible assets acquired are: non compete and non solicitation agreement - 10 years and customer relations - 10 years.

Paramedical Service Providers

During the first six months of 2004, the Company acquired, for cash, four paramedical service provider companies in the United States and one paramedical service provider company in Canada. The acquired businesses provide paramedical examinations that are used to assist life insurance companies in objectively evaluating the mortality and morbidity risks posed by policy applicants.

Goodwill of $1,489,000 was assigned to the risk assessment services segment and is expected to be deductible for tax purposes. The weighted average amortization periods for the non compete and non solicitation agreements and customer relations are 10 years and 7.7 years, respectively.

All of the above acquisitions have been accounted for under the purchase method and, accordingly, the operating results of the acquired companies have been included in the consolidated statements of operations from the dates of acquisition.

The allocation of purchase price to the assets and liabilities of the acquisitions made during the first six months of 2004 is preliminary and subject to change. The Company does not believe that the final allocation of purchase price will differ materially from the preliminary allocation. Certain of these acquisitions are subject to contingent payment agreements which will be recorded when earned.

(3) Long-term Debt

During June 2004, the Company issued $90,000,000 of 3.50% convertible senior debentures due June 15, 2034 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. During July 2004, the initial purchasers exercised their option to purchase an additional $13,500,000 of the debentures. The debentures may be converted, under certain circumstances, into a combination of cash and common stock of the Company at an initial rate equivalent to a conversion price of $39.30 per share of common stock, subject to certain adjustments. Holders may convert the debentures if the common stock price exceeds 130% of the conversion price for 20 trading days in the 30 trading day period ending on the last trading day of the preceding fiscal quarter. Upon conversion, the Company will deliver cash equal to the lesser of the aggregate principal amount of debentures to be converted and the conversion obligation, and common stock in respect of the remainder, if any, of the conversion obligation. The Company may not redeem the debentures prior to June 20, 2009. Holders of the debentures may require the Company to repurchase some or all of the debentures on June 15, 2011, 2014 and 2024 and upon certain specified corporate transactions. The Company used the net proceeds from the offering to reduce borrowings under its credit facility and for general corporate purposes.

(4) Earnings Per Share

Basic earnings per share is computed using net earnings available to common shareholders divided by the weighted average number of common shares outstanding. Diluted earnings per share includes the effects of outstanding stock options and common shares issuable upon conversion of preferred stock, if dilutive. In addition, the related preferred stock dividends are added back to income since they would not be paid if the preferred stock were converted to common stock. There was no dilutive effect of conversion of the debentures as the market price of LabOne common stock was below the conversion price and the par value of the debentures would be settled in cash.

The following table reconciles the weighted average common shares used in the basic earnings per share calculation and the weighted average common shares and common share equivalents used in the diluted earnings per share calculation:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2004	2003	**2004**	2003
	(in thousands)			
Weighted average common shares for basic earnings per share	**17,060**	11,691	**17,002**	11,680
Dilutive effect of employee stock options	**413**	245	**446**	235
Dilutive effect of common shares issuable upon conversion of preferred stock	–	4,810	–	4,764
Weighted average common shares for dilutive earnings per share	**17,473**	16,746	**17,448**	16,679

(5) Stock-based Compensation

The Company applies the intrinsic-value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25*, to account for its fixed-plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123*, established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, as amended by SFAS No. 148, the Company has elected to continue to apply the intrinsic-value based method of accounting described above and has adopted only the disclosure requirements of SFAS No. 123.

The following table illustrates the effect on net earnings if the fair-value based method had been applied to all outstanding and unvested options in each period.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2004	2003	**2004**	2003
	(in thousands)			
Net earnings, as reported	**$ 6,287**	$ 5,045	**$ 12,167**	$ 9,596
Deduct total stock-based employee compensation expense determined under fair-value based method for all stock options, net of tax	**(365)**	(326)	**(745)**	(813)
Pro forma net earnings	**$ 5,922**	$ 4,719	**$ 11,422**	$ 8,783
Basic earnings per share:				
As reported	**$ 0.37**	$ 0.36	**$ 0.72**	$ 0.69
Pro forma	**$ 0.35**	$ 0.34	**$ 0.67**	$ 0.62
Diluted earnings per share:				
As reported	**$ 0.36**	$ 0.30	**$ 0.70**	$ 0.57
Pro forma	**$ 0.34**	$ 0.28	**$ 0.65**	$ 0.53

(6) Business Segment Information

The Company operates principally in two lines of business: risk assessment services and clinical. Risk assessment services is segregated into insurance laboratory, paramedical services and other insurance services. Clinical is segregated into healthcare services and substance abuse testing.

Following is a summary of segment information:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2004	2003	**2004**	2003
	(in thousands)			
Sales:				
Risk assessment services:				
Insurance laboratory	**$ 22,722**	$ 22,777	**$ 44,523**	$ 45,474
Paramedical services	**25,285**	20,576	**49,670**	41,103
Other insurance services	**18,110**	12,361	**35,363**	24,514
Total risk assessment services	**66,117**	55,714	**129,556**	111,091
Clinical:				
Healthcare services	**40,603**	21,250	**82,034**	41,845
Substance abuse testing	**10,763**	6,999	**18,718**	12,955
Total clinical	**51,366**	28,249	**100,752**	54,800
Total	**$ 117,483**	$ 83,963	**$ 230,308**	$ 165,891

Operating earnings:				
Risk assessment services:				
Insurance laboratory	**$ 9,640**	$ 10,338	**$ 18,333**	$ 20,139
Paramedical services	**2,722**	1,611	**5,330**	3,361
Other insurance services	**2,944**	1,396	**5,425**	2,412
Risk assessment sales group	**(1,655)**	(1,526)	**(3,132)**	(2,722)
Total risk assessment services	**13,651**	11,819	**25,956**	23,190
Clinical:				
Healthcare services	**5,485**	3,535	**12,297**	7,393
Substance abuse testing	**1,816**	1,250	**3,130**	1,966
Total clinical	**7,301**	4,785	**15,427**	9,359
General corporate expenses	**(9,703)**	(8,067)	**(19,422)**	(16,137)
Total other expenses, net	**(1,174)**	(606)	**(2,412)**	(1,202)
Earnings before income taxes	**10,075**	7,931	**19,549**	15,210
Provision for income taxes	**3,788**	2,886	**7,382**	5,614
Net earnings	**$ 6,287**	$ 5,045	**$ 12,167**	$ 9,596

(7) Commitments and Contingencies

The Company is a party to various claims or lawsuits related to services performed in the ordinary course of the Company's activities. The Company's management and legal counsel anticipate potential claims resulting from such matters that would not be covered by insurance and have appropriately provided for these claims in the consolidated financial statements. The Company believes that the ultimate resolution of these matters will not materially affect the consolidated financial statements of the Company.

ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

LabOne is a diagnostic services provider. The services and information LabOne and its subsidiaries provide include: risk assessment information services for the insurance industry; diagnostic healthcare testing; and substance abuse testing services and related employee qualification products. LabOne's business plan is to be the premier provider of certified and accredited, cost effective laboratory and information services to life and health insurance companies, employers, third party administrators, government agencies, hospitals, physician practices and occupational health clinics.

LabOne's risk assessment services comprise underwriting support services including teleunderwriting, specimen collection and paramedical examinations, laboratory testing, telephone inspections, motor vehicle reports and medical record retrieval to the insurance industry. The laboratory tests performed and data gathered by the Company are specifically designed to assist an insurance company in objectively evaluating the mortality and morbidity risks posed by policy applicants. The majority of the testing is performed on specimens of individual life insurance policy applicants, but also includes specimens of individuals applying for individual and group medical and disability policies.

LabOne's clinical services include laboratory testing services for the healthcare industry as an aid in the diagnosis and treatment of patients. LabOne operates highly automated and centralized laboratory facilities, which the Company believes has significant economic advantages over other laboratory competitors. Furthermore, this centralized approach provides the ability to transmit detailed patient outcomes to managed care companies in easily accessible electronic formats. LabOne markets its clinical testing services to managed care companies, insurance companies, self-insured groups, hospitals and physicians.

LabOne's clinical services also include substance abuse testing ("SAT") provided to employers to support their drug free workplace programs. LabOne is certified by the Substance Abuse and Mental Health Services Administration to perform substance abuse testing services for federally regulated employers and currently markets these services throughout the country to both regulated and nonregulated employers. Additionally, the Company can provide background checks, social security number verification and other pre-employment data required by employers. The Company's rapid turnaround times and multiple testing options help clients reduce downtime for affected employees and meet mandated drug screening guidelines.

Forward Looking Statements

This Quarterly Report on Form 10-Q may contain "forward-looking statements," including, but not limited to, statements of plans and objectives, statements of future economic performance and statements of assumptions underlying such statements, and statements of the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future. Forward-looking statements can often be identified by the use of forward-looking terminology, such as "could," "should," "will," "will be," "intended," "continue," "believe," "may," "hope," "anticipate," "goal," "forecast," "plan," "estimate" or variations thereof. Forward-looking statements are not guarantees of future performance or results. Forward-looking statements are based on estimates, forecasts and assumptions involving risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed or implied in such forward-looking statements. The uncertainties, risks and assumptions referred to above include, but are not limited to, those described under "Factors Affecting Future Performance" in Item 7 detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. Investors are cautioned not to put undue reliance on any forward-looking statement.

RESULTS OF OPERATIONS

SELECTED FINANCIAL DATA

	Three Months Ended June 30,			
	2004		2003	
	(in thousands)			
Revenues:				
Risk assessment services				
Insurance laboratory	**$ 22,722**	**19%**	$ 22,777	27%
Paramedical services	**25,285**	**22%**	20,576	25%
Other insurance services	**18,110**	**15%**	12,361	15%
Total risk assessment services	**66,117**	**56%**	55,714	66%
Clinical				
Healthcare services	**40,603**	**35%**	21,250	25%
Substance abuse testing	**10,763**	**9%**	6,999	8%
Total clinical	**51,366**	**44%**	28,249	34%
Total	**$117,483**	**100%**	$ 83,963	100%
Total laboratory services revenue	**$ 74,088**		$ 51,026	
Volumes:				
Risk assessment services				
Insurance laboratory	**1,324**		1,310	
Paramedical services	**326**		273	
Clinical				
Healthcare services	**1,056**		625	
Substance abuse testing	**843**		575	

SECOND QUARTER ANALYSIS

Revenue for the quarter ended June 30, 2004, was $117.5 million compared to $84.0 million in the second quarter 2003. The increase of $33.5 million, or 40%, was due to increases in clinical healthcare revenue of $19.4 million, risk assessment revenue of $10.4 million and clinical SAT revenue of $3.8 million. Risk assessment revenue increased to $66.1 million from $55.7 million in the second quarter 2003 due primarily to increases of $5.7 million in other insurance services and $4.7 million in paramedical services, partially offset by a decrease in insurance laboratory services of $0.1 million. Other insurance services increased primarily due to growth in medical records retrieval and teleunderwriting services. Paramedical services revenue increased due to an increase in the number of paramedical exams performed from new customer accounts and the acquisition of a Canadian paramedical provider. Insurance laboratory revenue decreased due to a 4% decline in the average revenue per applicant partially offset by a 1% increase in the total number of insurance applicants tested by the Company. During the second quarter 2004, healthcare services revenue increased to $40.6 million from $21.3 million in 2003 due to the acquisition of Alliance Laboratory Services in January 2004 and a 19% increase in organic testing volumes. Alliance Laboratory Services accounted for $14.3 million of the revenue increase, and increased sales to new and existing healthcare customers accounted for $5.0 million of the revenue increase. SAT revenue increased $3.8 million to $10.8 million in the second quarter 2004 from $7.0 million in 2003 due to the addition of Northwest Toxicology and an 11% increase in organic testing volumes. Northwest Toxicology accounted for $3.2 million of this increase. Total laboratory services revenue from risk assessment and clinical was $74.1 million as compared to $51.0 million in the second quarter 2003.

Cost of sales increased $23.5 million, or 41%, in the second quarter 2004 as compared to the prior year, due primarily to the acquisitions of Alliance Laboratory Services and Northwest Toxicology, and increases in paramed collections, physician statement fees and payroll expense. Paramedical services increased primarily due to continued growth of the ExamOne paramedical operations. Physician statement fees increased due to growth of sales of attending physician statement services. Payroll increased due to increased specimen volume in the healthcare laboratory testing segment and growth of teleunderwriting and medical records retrieval services. Risk assessment cost of sales, including all of the above mentioned factors, increased to $47.5 million in 2004 from $39.4 million in the second quarter 2003. Clinical healthcare cost of sales increased to $25.8 million as compared to $12.8 million in the second quarter 2003 primarily due to the addition of Alliance Laboratory Services. Clinical SAT cost of sales expenses increased to $7.4 million as compared to $4.9 million in the second quarter 2003 primarily due to the addition of Northwest Toxicology.

As a result of the above factors, gross profit for the quarter increased $10.0 million, or 37%, from $26.9 million in 2003 to $36.9 million in 2004. Risk assessment gross profit increased $2.3 million, or 14%, to $18.6 million in the second quarter 2004. Clinical healthcare gross profit increased $6.4 million, or 76%, to $14.8 million in 2004 from $8.4 million in 2003. Clinical SAT gross profit increased $1.3 million, or 62%, to $3.4 million in 2004 from $2.1 million in the second quarter last year.

Selling, general and administrative expenses increased $7.3 million, or 40%, in the second quarter 2004 as compared to the prior year. This increase is primarily due to increases in payroll, amortization and bad debt expenses. Risk assessment overhead expenditures increased to $5.0 million in 2004 from $4.5 million in the second quarter 2003. Clinical healthcare overhead expenditures increased to $9.4 million as compared to $4.9 million in 2003 due to the acquisition of Alliance Laboratory Services and an increase in payroll expense. Clinical SAT overhead expenditures increased to $1.6 million as compared to $0.8 million in 2003 due to the acquisition of Northwest Toxicology. Corporate overhead expenses increased to $9.7 million from $8.1 million in the second quarter 2003 primarily due to higher payroll, telephone and expenses related to compliance with the Sarbanes-Oxley Act of 2002.

Operating earnings increased from $8.5 million in the second quarter 2003 to $11.2 million in 2004. Risk assessment services operating earnings were $13.6 million in 2004 as compared to $11.8 million in the second quarter 2003. Clinical healthcare services operating income increased to $5.5 million in 2004 as compared to $3.5 million in 2003. Clinical SAT operating earnings were $1.8 million in the second quarter 2004 as compared to $1.3 million in 2003. Corporate operating expenses were $9.7 million compared to $8.1 million in the second quarter 2003.

Non operating expenses increased $0.6 million primarily due to higher interest expense from increased borrowings for acquisitions. The effective income tax rate was 38% in the second quarter 2004 as compared to 36% in 2003.

The combined effect of the above factors resulted in net earnings of $6.3 million, or $0.36 per diluted share in the second quarter 2004, compared to $5.0 million, or $0.30 per diluted share in 2003. Convertible preferred dividends in the second quarter 2003 were $0.8 million and earnings available to common shareholders were $4.3 million. The preferred stock was converted into LabOne common stock during the third and fourth quarters of 2003.

	Six Months Ended June 30,			
	2004		2003	
	(in thousands)			
Revenues:				
Risk assessment services				
Insurance laboratory	**$ 44,523**	**19%**	$ 45,474	27%
Paramedical services	**49,670**	**22%**	41,103	25%
Other insurance services	**35,363**	**15%**	24,514	15%
Total risk assessment services	**129,556**	**56%**	111,091	67%
Clinical				
Healthcare services	**82,034**	**36%**	41,845	25%
Substance abuse testing	**18,718**	**8%**	12,955	8%
Total clinical	**100,752**	**44%**	54,800	33%
Total	**$230,308**	**100%**	$165,891	100%
Total laboratory services revenue	**$145,275**		$100,274	
Volumes:				
Risk assessment services				
Insurance laboratory	**2,614**		2,645	
Paramedical services	**643**		541	
Clinical				
Healthcare services	**2,120**		1,221	
Substance abuse testing	**1,472**		1,066	

YEAR TO DATE ANALYSIS

Revenue for the six month period ended June 30, 2004, was $230.3 million compared to $165.9 million in the first six months of 2003. The increase of $64.4 million, or 39%, was due to increases in clinical healthcare revenue of $40.2 million, risk assessment revenue of $18.5 million and clinical SAT revenue of $5.8 million. Risk assessment revenue increased to $129.6 million from $111.1 million in the first six months due primarily to increases of $10.8 million in other insurance services and $8.6 million in paramedical services, partially offset by a decrease in insurance laboratory services of $1.0 million. Other insurance services increased primarily due to growth in medical records retrieval and teleunderwriting services. Paramedical services revenue increased due to an increase in the number of paramedical exams performed from new customer accounts and the acquisition of a Canadian paramedical provider. Insurance laboratory revenue decreased 2% due to a 1% decline in the total number of insurance applicants tested by the Company and a 4% decrease in the average revenue per applicant partially offset by an increase in other insurance services revenue. During the first six months of 2004, healthcare services revenue increased to $82.0 million from $41.8 million in 2003 due to the acquisition of Alliance Laboratory Services in January 2004 and a 22% increase in organic testing volumes. Alliance Laboratory Services accounted for $29.6 million of the revenue increase, and increased sales to new and existing healthcare customers accounted for $10.6 million of the revenue increase. SAT revenue increased $5.8 million to $18.7 million in the first six months of 2004 from $13.0 million in 2003 due to the acquisition of Northwest Toxicology and an 11% increase in organic testing volumes. Northwest Toxicology accounted for $4.5 million of this increase. Total laboratory services revenue from risk assessment and clinical was $145.3 million as compared to $100.3 million in the first six months of 2003.

Cost of sales increased $45.0 million, or 40%, in the first six months of 2004 as compared to the prior year, due primarily to the acquisitions of Alliance Laboratory Services and Northwest Toxicology, and increases in paramed collections and physician statement fees, payroll and lab supplies. Paramedical services increased primarily due to continued growth of the ExamOne paramedical operations. Payroll increased due to increased specimen volume in the healthcare laboratory testing segment and growth of teleunderwriting and medical records retrieval services. Risk assessment cost of sales, including all of the above mentioned factors, increased to $93.8 million in 2004 from $78.9 million in the first six months of 2003. Clinical healthcare cost of sales increased to $51.5 million as compared to $24.9 million in the first six months of 2003 primarily due to the addition of Alliance Laboratory Services. Clinical SAT cost of sales expenses increased to $12.9 million as compared to $9.4 million in the first six months of 2003 primarily due to the addition of Northwest Toxicology.

As a result of the above factors, gross profit year to date increased $19.4 million, or 37%, from $52.7 million in 2003 to $72.1 million in 2004. Risk assessment gross profit increased $3.5 million, or 11%, to $35.7 million in 2004. Clinical healthcare gross profit increased $13.6 million, or 80%, to $30.5 million in 2004 from $16.9 million in 2003. Clinical SAT gross profit increased $2.2 million, or 63%, to $5.8 million in 2004 from $3.6 million last year.

Selling, general and administrative expenses increased $13.8 million, or 38%, in the first six months of 2004 as compared to the prior year. This increase is primarily due to increases in payroll, bad debt and amortization expenses. Risk assessment overhead expenditures increased to $9.8 million in 2004 from $9.0 million in the first six months of 2003. Clinical healthcare overhead expenditures increased to $18.2 million as compared to $9.5 million in 2003 due to the acquisition of Alliance Laboratory Services and an increase in payroll expense. Clinical SAT overhead expenditures increased to $2.7 million as compared to $1.6 million in 2003 primarily due to the acquisition of Northwest Toxicology. Corporate overhead expenses increased to $19.4 million from $16.1 million in the first six months of 2003 primarily due to higher payroll, expenses related to compliance with the Sarbanes-Oxley Act of 2002, depreciation and insurance expenses.

Operating earnings increased from $16.4 million in the first six months of 2003 to $22.0 million in 2004. Risk assessment services operating earnings were $26.0 million in 2004 as compared to $23.2 million in 2003. Clinical healthcare services operating income increased to $12.3 million in 2004 as compared to $7.4 million in 2003. Clinical SAT operating earnings were $3.1 million in the first six months of 2004 as compared to $2.0 million in 2003. Corporate operating expenses were $19.4 million compared to $16.1 million in 2003.

Non operating expenses increased $1.2 million primarily due to higher interest expense from increased borrowings for acquisitions. The effective income tax rate was 38% in the first six months of 2004 as compared to 37% in 2003.

The combined effect of the above factors resulted in net earnings of $12.2 million, or $0.70 per diluted share in the first six months of 2004, compared to $9.6 million, or $0.57 per diluted share in 2003. Convertible preferred dividends in the first six months of 2003 were $1.6 million and earnings available to common shareholders were $8.0 million. The preferred stock was converted into LabOne common stock during the third and fourth quarters of 2003.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

LabOne's working capital position increased by $4.0 million to $52.1 million as of June 30, 2004 from $48.1 million as of December 31, 2003 due to an increase in accounts receivable, partially offset by an increase in accounts payable. Net cash provided by operations was $21.3 million as compared to $11.9 million in the first six months of 2003. The increase is due to higher net income and depreciation, offset by an increase in working capital associated with increased revenue and acquisitions completed during the first quarter.

During the first six months of 2004, the Company spent $60.0 million on acquisitions and $8.8 million for capital expenditures. Acquisitions included $43.9 million for Alliance Laboratory Services and $12.2 million for Northwest Toxicology. During the first six months of 2003, the Company spent $1.4 million on acquisitions and $3.8 million for capital expenditures. The

Company expects to spend approximately $20 million for the land, building construction, furnishings, equipment and information technology systems for a new laboratory facility in Cincinnati, Ohio to be completed in the second quarter of 2005.

During June 2004, the Company issued $90 million of 3.50% convertible senior debentures due June 15, 2034 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. During July 2004, the initial purchasers exercised their option to purchase an additional $13.5 million of the debentures. The debentures may be converted, under certain circumstances, into a combination of cash and common stock of the Company at an initial rate equivalent to a conversion price of $39.30 per share of common stock, subject to certain adjustments. Holders may convert the debentures if the common stock price exceeds 130% of the conversion price for 20 trading days in the 30 trading day period ending on the last trading day of the preceding fiscal quarter. Upon conversion, the Company will deliver cash equal to the lesser of the aggregate principal amount of debentures to be converted and the conversion obligation, and common stock in respect of the remainder, if any, of the conversion obligation. The Company may not redeem the debentures prior to June 20, 2009. Holders of the debentures may require the Company to repurchase some or all of the debentures on June 15, 2011, 2014 and 2024 and upon certain specified corporate transactions. The Company used the net proceeds from the offering to reduce borrowings under its credit facility and for general corporate purposes.

As of June 30, 2004, borrowings under the Company's revolving credit facility were $2.7 million. Borrowings had increased from $47.0 million as of December 31, 2003 to $95.7 million as of March 31, 2004 primarily to fund acquisitions. The line of credit bears variable interest which, as of July 30, 2004, was 3.3% and requires a commitment fee of 0.5% on the unused portion of the commitment. Based on covenants, $46.3 million of the remaining $147.3 million was available for borrowing as of June 30, 2004, under the Company's $150 million line of credit.

Interest on the industrial revenue bonds issued to finance the construction of the Company's Lenexa facility is based on a taxable seven-day variable rate which, including letter of credit and remarketing fees, was approximately 2.4% as of July 30, 2004.

As of June 30, 2004, LabOne had total cash and cash equivalents of $3.1 million as compared to $4.7 million as of December 31, 2003. The Company expects to fund operations from a combination of cash flows from operations and short-term borrowings.

ITEM 3 - Quantitative and Qualitative Disclosures about Market Risk.

As of June 30, 2004, LabOne's liability subject to variable interest rates was $13.5 million. The associated market risk exposure is not considered to be material. A foreign currency risk exposure exists due to sales in Canada in Canadian dollars and the direct laboratory expenses associated with this revenue being incurred in US dollars. This exposure is not considered to be material.

ITEM 4 - Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed for information required to be disclosed in the Company's reports filed pursuant to the Securities Exchange Act of 1934, as amended, to be recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also are designed for such information to be accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

Management of the Company, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that the control system's objectives would be met.

There were no changes in the Company's internal controls over financial reporting during the second quarter of fiscal 2004 that materially affected, or that are reasonably likely to materially affect, the Company's internal control over financial reporting.

During the third quarter of 2004, the Company's internal auditors identified a reportable condition in the design and operation of general computer controls related to program changes and access security. The condition is not considered a material weakness. The Company believes it has mitigating controls and procedures in place, has implemented certain changes in security access and change control, and has plans for completion of remediation during the third quarter.

PART II. OTHER INFORMATION

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

Pursuant to a Purchase Agreement dated June 21, 2004, (attached as Exhibit 4.2 to LabOne's Form 8-K Current Report filed June 28, 2004) the Company offered $90 million in principal amount of 3.50% convertible senior debentures due June 15, 2034 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. By exercise of an option issued with the debentures, an additional $13.5 million principal amount of the debentures was purchased by the initial purchasers on July 8, 2004.

The debentures may be converted, under certain circumstances, into a combination of cash and common stock of the Company at an initial rate equivalent to a conversion price of $39.30 per share of common stock, subject to certain adjustments. The Company may not redeem the debentures prior to June 20, 2009. Holders of the debentures may require the Company to repurchase some or all of the debentures on June 15, 2011, 2014 and 2024 and upon certain specified corporate transactions.

The Company used approximately $87 million of the initial proceeds of the offering to reduce borrowings under its credit facility. The additional proceeds of approximately $13 million were used by the Company to pay the remaining borrowings under its credit facility and for general corporate purposes. The Company may in the future re-borrow a portion of these funds under its credit facility for the repurchase of shares of its common stock.

For a further description of the terms of the debentures, see the Indenture filed as Exhibit 4.1 to LabOne's Form 8-K Current Report filed June 28, 2004.

(e) In 2000, the Company's Board of Directors authorized a share repurchase program to purchase up to $10 million of LabOne common stock. The program does not have an expiration date. During 2000, the Company repurchased 841,000 shares of common stock at an average price of $7.07 per share for a total of $5.9 million. The Company has not repurchased any shares of common stock since 2000. Approximately $4.1 million remains available for future treasury stock purchases.

ITEM 4 - Submission of Matters to a Vote of Security Holders

(a) The annual stockholders' meeting was held on May 24, 2004.

(c) The following matters were voted upon at the annual meeting:

(1) The election of one class B director to the Board of Director. For Mr. John P. Mascotte there were 15,220,352 votes for and 1,238,688 votes withheld. Directors whose term of office as a director continued after the meeting are Messrs. W. Thomas Grant, II, W. Roger Drury, James R. Seward and John E. Walker. Effective May 26, 2004, Jill L. Force was appointed to the board as a class A director.

(2) Approval of the appointment of KPMG LLP as independent auditor for fiscal year 2004. Of the 16,459,041 common shares represented, 15,757,331 were voted for, and 675,003 were voted against; there were 26,706 abstentions and 1 share unvoted.

(3) Approval of an increase in the dollar amount of shares awarded to eligible directors each year under the Stock Program for Outside Directors. Of the 16,459,041 common shares represented, 12,456,768 were voted for, and 2,502,587 were voted against; there were 37,670 abstentions and 1,462,016 shares unvoted.

ITEM 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

4.1 Amendment No. 1 to dated as of June 16, 2004, to the Amended and Restated Credit Agreement dated as of December 3, 2003, among LabOne, Inc., the Lenders and JPMorgan Chase Bank, as administrative agent and as collateral agent for the Lenders.

10.1 LabOne 2004 Incentive Plan

10.2 Amendment to the Asset Purchase Agreement between LabAlliance, Inc. and The Health Alliance of Greater Cincinnati

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. 'SS' 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. 'SS' 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

A Form 8-K current report dated April 15, 2004 was filed with the Commission reporting under Item 9. Regulation FD Disclosure, the selection of Cincinnati, Ohio, as the location for an expansion of the Company's medical laboratory testing operations in relation to the purchase of the laboratory operations of The Health Alliance of Greater Cincinnati.

A Form 8-K current report dated May 5, 2004 was filed with the Commission reporting under Item 9. Regulation FD Disclosure, the content of the first quarter 2004 financial results conference call to investors.

A Form 8-K current report dated June 10, 2004 was filed with the Commission reporting under Item 9. Regulation FD Disclosure, the scheduled groundbreaking for the Company's future laboratory in Cincinnati on June 15, 2004.

A Form 8-K current report dated June 15, 2004 was filed with the Commission reporting under Item 9. Regulation FD Disclosure, the resignation of Joseph P. Ratterman as Executive Vice President and Chief Information Officer, effective June

30, 2004, and the promotion of Michael G. Dorman, Senior Vice President, Information Systems Design and Development, to Chief Technology Officer.

A Form 8-K current report dated June 21, 2004 was filed with the Commission reporting under Item 9. Regulation FD Disclosure, the Company's intention to offer to qualified institutional buyers, pursuant to Rule 144A under the Securities Act of 1933, $90 million in aggregate principal amount of Convertible Senior Debentures due 2034, and an option to purchase up to an additional $13.5 million principal amount of the debentures.

A Form 8-K current report dated June 21, 2004 was filed with the Commission reporting under Item 9. Regulation FD Disclosure, the pricing of $90 million principal amount of its convertible senior debentures due June 15, 2034.

A Form 8-K current report dated June 28, 2004 was filed with the Commission reporting under Item 9. Regulation FD Disclosure, the completion of its offering of $90 million in principal amount of 3.50% convertible senior debentures due June 15, 2034.

A Form 8-K current report dated July 8, 2004 was filed with the Commission reporting under Item 9. Regulation FD Disclosure, that the initial purchasers exercised their option to purchase an additional $13.5 million principal amount of the Company's 3.50% convertible senior debentures due 2034.

SIGNATURES

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.

LabOne, Inc.

Date: August 6, 2004	By */s/ John W. McCarty* John W. McCarty Executive V.P. and Chief Financial Officer

Exhibit 4.1

AMENDMENT NO. 1 dated as of June 16, 2004 (this *"Amendment"),* to the Amended and Restated Credit Agreement dated as of December 3, 2003 (the *"Credit Agreement"),* among LABONE, INC., a Missouri corporation (the *"Company"),* the LENDERS from time to time party thereto and JPMORGAN CHASE BANK, as administrative agent (in such capacity, the *"Administrative Agent")* and as collateral agent for the Lenders.

A. Pursuant to the Credit Agreement, the Lenders and the Issuing Banks have extended and agreed to extend credit to the Company.

B. The Company proposes to issue and sell Convertible Senior Debentures Due 2034 (the *"Convertible Senior Debentures")* in an aggregate principal amount of up to $103,500,000. The Convertible Senior Debentures will be issued pursuant to an Indenture to be dated as of a date on or around June 22, 2004, between the Company and a trustee to be identified, and will be convertible, in certain circumstances, at the option of the holders thereof, into a right to receive cash and common stock of the Company. Up to $18,000,000 of the proceeds of the issuance and sale of the Convertible Senior Debentures will be used to repurchase shares of common stock of the Company (the *"Share Repurchase")*.

C. In connection with the issuance and sale of the Convertible Senior Debentures and the Share Repurchase, the Company desires to amend the Credit Agreement as set forth herein.

D. The Lenders whose signatures appear below, constituting the Required Lenders, are willing, on the terms and subject to the conditions set forth herein, so to amend the Credit Agreement.

E. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Credit Agreement.

Accordingly, in consideration of the mutual agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. *Amendment,* (a) The following definitions are hereby inserted in Section 1.01 in the appropriate alphabetical order:

"<u>Convertible Senior Debentures</u>" means the Convertible Senior Debentures Due 2034 to be issued by the Company under the Convertible Senior Debentures Indenture.

"<u>Convertible Senior Debentures Indenture</u>" means the Indenture to be dated as of a date on or around June 22, 2004, between the Company and a trustee to be identified, as the same may be amended from time to time in accordance with the provisions of this Agreement.

"<u>Permitted Share Repurchase</u>" means the repurchase by the Company of shares of its common stock with no more than $18,000,000 of the proceeds of the issuance of the Convertible Senior Debentures.

(b) Section 6.01(a) of the Credit Agreement is hereby amended by adding the following clause (xii) immediately prior to the existing clause (xii) under such Section, and redesignating such existing clause (xii) as clause (xiii) under such Section:

"(xii) the Convertible Senior Debentures; <u>provided</u> that (A) the aggregate principal amount of the Convertible Senior Debentures shall not exceed $103,500,000 at any time outstanding and (B) no obligations of the Company under the

Convertible Senior Debentures shall be Guaranteed by any Subsidiary or secured by any assets of the Company or any of its Subsidiaries; and"

(c) Section 6.10(a) of the Credit Agreement is hereby amended by adding the following clause (v) at the end thereof:

"(v) the Company may declare and make, and may agree to declare and make, the Permitted Share Repurchase."

(d) Section 6.10(b) of the Credit Agreement is hereby amended by adding the following clause (vi) at the end thereof:

"(vi) unless a Default or an Event of Default shall have occurred and is continuing, (A) payment by the Company, in connection with any conversion of Convertible Senior Debentures, of a settlement amount, whether in cash or shares of common stock of the Company or a combination thereof, or of a make-whole premium in shares of common stock of the Company, and (B) repurchase by the Company of Convertible Senior Debentures upon the exercise by the holder thereof of a "designated event put" right under the Convertible Senior Debentures Indenture, in each case, in accordance with the Convertible Senior Debentures Indenture."

(e) Section 6.12 of the Credit Agreement is hereby amended by amending and restating clause (a) thereof in its entirety as follows:

"(a) any instrument or document evidencing or governing the Convertible Senior Debentures or any Indebtedness subordinated to the Obligations, or any portion of any of the foregoing, including the Convertible Senior Debentures Indenture, or"

SECTION 2. *Representations and Warranties.* To induce the other parties hereto to enter into this Amendment, the Company represents and warrants to each of the Lenders, the Administrative Agent, the Issuing Banks and the Collateral Agent that (i) this Amendment has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable against it in accordance with its terms and (ii) after giving effect to this Amendment, (a) the representations and warranties set forth in Article III of the Credit Agreement are true and correct in all material respects on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date; and (b) no Default or Event of Default has occurred and is continuing.

SECTION 3. *Effectiveness and Termination of Amendment.* This Amendment shall become effective as of the date set forth above on the date that the Administrative Agent or its counsel shall have received counterparts of this Amendment that, when taken together, bear the signatures of the Company and the Required Lenders. Notwithstanding anything else to the contrary set forth herein, in the event that the issuance and sale of the Convertible Senior Debentures shall not have been completed by July 9, 2004, Section 1 of this Amendment shall, without any further action by any party hereto or any other Person, cease to have any force and effect and this Amendment shall automatically be deemed to be amended to delete Section 1 hereof in its entirety.

SECTION 4. *Effect of Amendment.* Except as expressly set forth herein (but subject to the final sentence of Section 3 hereof), this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of the Lenders, the Issuing Banks, the Collateral Agent or the Administrative Agent under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply and be effective only with respect to the provisions of the Credit Agreement specifically referred to herein. This Amendment shall constitute a "Loan Document" for all purposes of the Existing Credit Agreement and the other Loan Documents.

SECTION 5. *Counterparts.* This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission shall be as effective as delivery of a manually executed counterpart hereof.

SECTION 6. *Applicable Law.* THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. *Headings.* The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their duly authorized officers, all as of the date and year first above written.

LABONE, INC.,

by: /s/ *John W. McCarty*

Name: John W. McCarty

Title:Exec. VP and CFO

by: /s/ *Jim Ely*

Name: Jim Ely

Title: Managing Director

SIGNATURE PAGE TO AMENDMENT
NO. 1 TO THE AMENDED AND
RESTATED CREDIT AGREEMENT
DATED AS OF DECEMBER 3, 2003,
AMONG LABONE, INC., THE LENDERS
FROM TIME TO TIME PARTY
THERETO AND JPMORGAN CHASE
BANK, AS ADMINISTRATIVE AGENT

NAME OF INSTITUTION: Bank of America, N. A.

by: /s/ *Gregory Mojica*

Name: Gregory Mojica

Title: Senior Vice President

NAME OF INSTITUTION: Citicorp USA, Inc.

by: /s/ *Allan Fisher*

Name: Allan Fisher

Title:

NAME OF INSTITUTION: Commerce Bank. N.A.

by: /s/ *Martin Nay*

Name: Martin Nay

Title: Vice President

NAME OF INSTITUTION: National City Bank of Kentucky

by: /s/ *Deroy Scott*

Name: Deroy Scott

Title: Senior Vice President

NAME OF INSTITUTION: The Northern Trust Company

by: /s/ *Fredric W. McClendon*

Name: Fredric W. McClendon

Title: VICE PRESIDENT

NAME OF INSTITUTION: Wachovia Bank. National Association by: /s/ *Robert G. McGill, Jr.*

Name: Robert G. McGill, Jr.

Title: Director

NAME OF INSTITUTION: Wells Fargo Bank, N. A.

by: /s/ *Tammy R. Sturgis*

Name: Tammy R. Sturgis

Title: Vice President

Exhibit 10.1

LabOne 2004 Incentive Plan

The Annual Incentive Plan is designed to motivate and reward the accomplishment of targeted operating results. The Compensation Committee and management establish operating goals under the Plan based upon the judgment of reasonable productivity improvements and targeted earnings per share. The size of the incentive pool increases pursuant to a formula established by the Committee based on increased earnings per share thresholds. The incentive pool based on productivity improvements is paid in cash during the year as certain targeted objectives are obtained by non-management personnel. The incentive pool for designated managers and officers is distributed in cash ratably at year end according to a pre-established weighting. The weighting is based upon senior management's potential contribution to the Company's financial and strategic goals for the year, and is reviewed and approved by the Committee.

Exhibit 10.2

AMENDMENT

This Amendment ("Amendment") is entered into on June _, 2004, by and between LabOne of Ohio, Inc, formerly known as LabAlliance, Inc., a Delaware corporation ("LabAlliance"), and THE HEALTH ALLIANCE OF GREATER CINCINNATI, (the "HAGC") for itself and on behalf of The Christ Hospital ("TCH"), University Hospital, Inc. ("UH"), The St. Luke Hospitals, Inc. ("SLH"), Jewish Hospital Of Cincinnati, Inc. ("JHC") and The Fort Hamilton Hospital ("FHH") (TCH, UH, SLH, JHC and FHH shall be collectively referred to as the "Hospitals" and, HAGC and Hospitals may individually be referred to herein as an "HAGC Entity" and collectively referred to herein as the "HAGC Entities") and on behalf of Jewish Health System, Inc. and Fort Hamilton Hospital Holding Company (sometimes individually referred to herein as a "Hospital Entity" and collectively referred to herein as the "Hospital Entities").

WHEREAS, LabOne, Inc. ("LabOne"), the Selling Entities and the Hospital Entities are parties to that certain Asset Purchase Agreement dated November 28, 2003, as amended ("Purchase Agreement");

WHEREAS, as permitted by the Purchase Agreement, LabOne assigned its rights under the Purchase Agreement to LabAlliance;

WHEREAS, as further described in the Purchase Agreement, HAGC and each of the Hospital Entities are parties with LabAlliance to a Management Agreement dated effective January 3, 2004 (individually, a "Management Agreement" and collectively, the "Management Agreements"), and a Laboratory Services Agreement dated effective January 3, 2004 ("Laboratory Services Agreement");

WHEREAS, LabAlliance has changed the name of its corporate entity to LabOne of Ohio, Inc.;

WHEREAS, LabAlliance and the HAGC Entities desire to enter into this Amendment to memorialize their agreement with respect to certain employees currently employed by HAGC who will be offered employment by LabAlliance, with such employment to be effective as of July 11, 2004 (the "Employment Date"), and amend the Purchase Agreement, each Management Agreement, and the Laboratory Services Agreement to be consistent with the forgoing;

NOW, THEREFORE, in consideration of the mutual promises herein made, the parties agree as follows:

1. The foregoing Recitals are hereby incorporated by this reference.

2. LabAlliance shall, as soon as reasonably possible following the date of this Amendment, offer employment to commence as of the Employment Date, to those employees of HAGC as set forth on Exhibit A, attached hereto and incorporated by this reference (individually, an "Employee" and collectively, the "Employees") who remain employees of HAGC as of the Employment Date, at salaries and wages no less than those currently being paid by HAGC and with substantially similar benefits to those currently provided to similarly situated employees of LabAlliance (excluding severance pay as provided herein), subject to eligibility requirements for such benefits (the "Prospective Employees"). With respect to any Prospective Employee who is out on legally protected leave and not actively at work on the Employment Date, such Prospective Employee shall remain an employee of HAGC until such Prospective Employee returns to active employment, and LabAlliance then shall offer employment to such Prospective Employee if such person returns to active employment with HAGC within the legally required time period.

3. The term "Hired Employees" as used in this Amendment means any person who (i) is a Prospective Employee and (ii) accepts employment with LabAlliance in accordance with this Amendment. All Hired Employees will be retained as employees-at-will by LabAlliance from and after the effective date of their employment with LabAlliance. In the event that LabAlliance takes any action with respect to Hired Employees that would constitute a "plant closing" or "mass

layoff" (as those terms are used in the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2101 et. seq. (the "WARN Act")), LabAlliance shall be liable and responsible for any required notice under the WARN Act (or any similar state or local law) and shall indemnify the HAGC Entities with respect to any liability arising out of a breach of this covenant. In the event that any Hired Employee is terminated by LabAlliance within one year following the Employment Date, LabAlliance agrees to pay to such individual severance pay not less than the severance pay to which such individual would have been entitled, if any, under the severance policies, practices, program or plan of HAGC applicable to such person in effect as of the date hereof as if such individual were employed by HAGC at the time of his or her termination and additional severance benefits no less than those additional severance benefits currently provided to similarly situated employees of LabAlliance and its affiliates. Nothing herein shall be deemed to limit the ability of LabAlliance to change the salary or wages of any Hired Employee or modify the benefits provided to any Hired Employee after the first anniversary after the Employment Date, or to make such changes or modifications within one year after the Employment Date as long as any changes to salary or wages are in accordance with LabAlliance's normal compensation practices and as long as any modification to benefits apply generally to similarly situated employees of LabAlliance and its affiliates. LabAlliance shall have no obligation with respect to (i) any Employee who does not become a Hired Employee, or (ii) any Hired Employee for the period prior to being employed by LabAlliance. The terms of this Amendment shall not confer any rights or remedies on any Employee or Hired Employee or any other person other than the parties hereto. All Hired Employees shall be given full credit by LabAlliance for their years of service with HAGC for purposes of eligibility and vesting (but not benefit accruals or computations) in all Employee Benefit Plans (as such term is defined in the Purchase Agreement) of LabAlliance or its affiliates which are made available to such employees following the Employment Date, or the effective date of their employment with LabAlliance.

4. HAGC shall be liable for all accrued but unused paid time off ("PTO") of Hired Employees outstanding as of the effective date of their employment with LabAlliance, under HAGC's PTO policy.

5. LabAlliance shall be responsible for all Hired Employees' employment-related worker's compensation and related matters relating only to events occurring from and after the effective date of their employment with LabAlliance. HAGC shall be responsible for all Employee-related worker's compensation and related matters relating to events occurring prior to the effective date of their employment with LabAllianceto the extent it is related to an injury occurring prior to the effective date of their employment with LabAlliance.

6. HAGC shall allow LabAlliance reasonable access to the Employees prior to the Employment Date in order to allow for an orderly transition of such Employees' employment by LabAlliance. In addition, HAGC shall allow LabAlliance reasonable access to employee records of such Prospective Employees following the date of this Agreement. As soon as practicable following the Employment Date, HAGC shall provide LabAlliance with the employment records for all Hired Employees. Notwithstanding any other provision of this Agreement to the contrary, HAGC shall, in its sole discretion, have the right to remove any information from such employee records in order to comply with applicable Law (as such term is defined in the Purchase Agreement).

7. LabAlliance shall be permitted to solicit for employment IRL employees of HAGC who are lab support technicians, office coordinators, or specimen data entry technicians at FHH, JH or SLH until the earlier of (a) the Employment Date, or (b) the date LabAlliance has filled its open positions to provide services at any draw station operated by LabAlliance, and such solicitation will not constitute a violation of Section7(g) of the Purchase Agreement.

8. The parties acknowledge that the Employees currently provide, and the Hired Employees will primarily provide, phlebotomy work for Non-Hospital Patients (as such term is defined in the Management Agreements). For purposes of each of the Management Agreements, LabAlliance and the HAGC Entities agree that the Management Agreements are hereby amended so that: (a) the costs incurred by LabAlliance with respect to the Hired Employees will not be Reimbursed IRL Costs (as such term is defined in the Management Agreements), Allocated IRL Management Costs (as such term is defined in the Management Agreements), or otherwise charged by LabAlliance to any of the HAGC Entities, and (b) with respect to determining any of the Performance Bonuses (as such term is defined in the

Management Agreement), the costs incurred by HAGC with respect to the Hired Employees prior to the effective date of their employment with LabAlliance shall not be counted as an expense of HAGC either prior to or after the Effective Date and shall be deducted when determining the Direct IRL Costs Per Test (as such term is defined in the Management Agreement) for the fiscal year ended June 30, 2003 and any other period for which a Performance Bonus is calculated. For purposes of the Laboratory Services Agreement, LabAlliance and the HAGC Entities agree that the Laboratory Services Agreement is hereby amended so that the HAGC Entities shall pay LabAlliance $5.00 per specimen collected by LabAlliance employees or contractors at the request of the HAGC Entities.

9. The remaining terms and conditions of the Purchase Agreement, Management Agreement, and Laboratory Services Agreement shall continue in full force and effect provided, however, that in the event of any conflict between the terms of the Purchase Agreement, Management Agreement, or the Laboratory Services Agreement and the terms of this Amendment, the terms of this Amendment shall control.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the date first above written.

LABONE OF OHIO, INC.

By: _

Name: _

Title: _

THE HEALTH ALLIANCE OF GREATER CINCINNATI

(for itself and on behalf of The Christ Hospital, University Hospital, Inc., The St. Luke Hospitals, Inc., Jewish Hospital Of Cincinnati, Inc., The Fort Hamilton Hospital, Jewish Health System, Inc. and Fort Hamilton Hospital Holding Company)

By: _

Ronald Long, Executive Vice President and Chief Financial Officer

THE CHRIST HOSPITAL

By: The Health Alliance of Greater Cincinnati

By: _

Ronald Long, Executive Vice President and Chief Financial Officer

UNIVERSITY HOSPITAL, INC.

By: The Health Alliance of Greater Cincinnati

By: _

Ronald Long, Executive Vice President and Chief Financial Officer

THE ST. LUKE HOSPITALS, INC.

By: The Health Alliance of Greater Cincinnati

By: _

Ronald Long, Executive Vice President and Chief Financial Officer

THE JEWISH HOSPITAL OF CINCINNATI, INC.

By: The Health Alliance of Greater Cincinnati

By: _

Ronald Long, Executive Vice President and Chief Financial Officer

THE FORT HAMILTON HOSPITAL

By: The Health Alliance of Greater Cincinnati

By: _

Ronald Long, Executive Vice President and Chief Financial Officer

JEWISH HEALTH SYSTEM, INC.

By: The Health Alliance of Greater Cincinnati

By: _

Ronald Long, Executive Vice President and Chief Financial Officer

FORT HAMILTON HOSPITAL HOLDING COMPANY

By: The Health Alliance of Greater Cincinnati

By: _

Ronald Long, Executive Vice President and Chief Financial Officer

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Exhibit A

Toni Detisch
Shelia Miller
Barbara Sauter
Karla Kent
Linda Norris
Kathleen Retherford
Stephanie Smith
Monica Vicars
Emi Godsey
Terra Million

Tonya Roland
Lisa Weathers
Kelly Ahrman
Ronda Peralta
Linda Peterson
Paul Thompson
Lynn Demi
Christine Summe
Lora Wetenkamp

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, W. Thomas Grant II, certify that:

1.) I have reviewed this quarterly report on Form 10-Q of LabOne, Inc.;

2.) Based on my knowledge, this quarterly 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 we 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 quarterly 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;

5.) The registrant's other certifying officer 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;

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: August 6, 2004

By _/s/ W. Thomas Grant II_

W. Thomas Grant II, Chairman of the Board,
President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John W. McCarty, certify that:

1.) I have reviewed this quarterly report on Form 10-Q of LabOne, Inc.;

2.) Based on my knowledge, this quarterly 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 we 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 quarterly 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;

5.) The registrant's other certifying officer 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;

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: August 6, 2004

By /s/ *John W. McCarty*

John W. McCarty, Executive V.P. and Chief
Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Quarterly Report on Form 10-Q of LabOne, Inc. for the period ending June 30, 2004 (the "Report") fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LabOne, Inc.

LabOne, Inc.

Date: August 6, 2004

By /s/ *W. Thomas Grant II*
W. Thomas Grant II, Chairman of the Board,
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to LabOne, Inc., and will be retained by LabOne, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Quarterly Report on Form 10-Q of LabOne, Inc. for the period ending June 30, 2004 (the "Report") fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LabOne, Inc.

LabOne, Inc.

Date: August 6, 2004

By /s/ *John W. McCarty*
John W. McCarty, Executive V.P. and Chief
Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to LabOne, Inc., and will be retained by LabOne, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.