



Quest Diagnostics Announces Improved Revenues and Earnings in Second Quarter 1999

July 16, 1999

QUEST DIAGNOSTICS ANNOUNCES IMPROVED REVENUES AND EARNINGS IN SECOND QUARTER OF 1999

TETERBORO, N.J., JULY 16, 1999—Quest Diagnostics Incorporated (NYSE: DGX) announced today that for the second quarter ended June 30, 1999, net income increased to \$13.1 million, or \$0.43 per diluted share, compared to \$8.9 million, or \$0.29 per diluted share, during the 1998 period. The 1999 second quarter includes the benefit of a favorable tax settlement, which contributed \$0.04 per diluted share. Revenues were \$394.0 million compared to \$366.7 million for the 1998 second quarter.

"Strong performance during the second quarter demonstrates that our efforts to restore profitable growth are on track," said Kenneth W. Freeman, chairman and chief executive officer.

Revenues increased by 3.2% to \$378.6 million, adjusted to exclude the impact of QuestNet, the company's laboratory network management service. Clinical testing volume declined by 3.9%. Average revenue per requisition processed increased by 7.6% over the prior-year period.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were \$46.2 million for the second quarter, compared to \$44.5 million for the prior year period.

Bad debt expense, adjusted for QuestNet, improved during the quarter to 5.3% of revenues from 5.8% for the prior year period and 5.6% for the first quarter. The number of days sales outstanding, adjusted for QuestNet, was 54 days, compared to 61 days a year ago and 54 days in the first quarter. Capital expenditures totaled \$13.2 million for the quarter and \$25.9 million year-to-date.

For the first half of 1999, net income increased to \$20.5 million from \$15.5 million for the prior year. Revenues increased to \$775.9 million, or \$743.1 million adjusted for QuestNet, compared to \$734.6 million in 1998. Diluted earnings per share were \$0.67, or \$0.63 excluding the effect of the tax settlement, compared to \$0.51 for the prior year. EBITDA for the six-month period was \$84.1 million, reflecting additional costs associated with the introduction of QuestNet and investments in information technology and sales and marketing capabilities, compared to \$87.1 million last year, adjusted for special charges.

"I am encouraged by our strong second quarter results and also by the opportunity that the acquisition of SmithKline Beecham Clinical Laboratories represents for our employees, customers and shareholders," said Mr. Freeman. "During the past two weeks, we have had continuing discussions with SmithKline Beecham, and I am hopeful that we will resolve the remaining issues and complete the transaction."

Quest Diagnostics is one of the nation's leading providers of diagnostic testing, information and services to physicians, hospitals, managed care organizations, employers and government agencies. The wide variety of tests performed on human tissue and fluids help doctors and hospitals diagnose, treat and monitor disease. Its Nichols Institute unit conducts research, specializes in esoteric testing using genetic screening and other advanced technologies, performs clinical studies testing, and manufactures and distributes diagnostic test kits and instruments. Quest Informatics collects and analyzes laboratory, pharmaceutical and other data to help large health care customers better manage the health of their patients. QuestNet is an innovative new product offering that provides network management services to large buyers of health care services. Additional information about the company is available on the Internet at: www.questdiagnostics.com.

The statements in this press release which are not historical facts or information may be forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause the outcome to be materially different. Certain of these risks and uncertainties are listed in the Quest Diagnostics Incorporated 1998 Form 10-K and subsequent filings.

QuestNet is a registered trademark of Quest Diagnostics Incorporated.

-- Table follows --

Quest Diagnostics Incorporated and Subsidiaries Consolidated Statements of Operations For the Three and Six Months Ended June 30, 1999 and 1998

(in millions, except per share data)

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Net revenues	\$ 394.0	\$ 366.7	\$ 775.9	\$ 734.6
Costs and expenses:				
Cost of services	225.7	217.8	452.7	435.8
Selling, general and administrative	131.6	116.1	258.6	236.6
Interest expense, net	5.0	9.0	12.4	18.1

	<u>1999</u>	<u>1998</u>
Assets		
Cash and cash equivalents	\$ 148	\$ 203
Accounts receivable, net of allowance of \$69 and \$71 at June 30, 1999 and December 31, 1998, respectively	225	221
Other assets	<u>940</u>	<u>936</u>
Total assets	<u>\$ 1,313</u>	<u>\$ 1,360</u>

Liabilities and Stockholders' Equity

Short-term debt	\$ 61	\$ 51
Long-term debt	338	413
Other liabilities	317	329
Common stockholders' equity	<u>597</u>	<u>567</u>
Total liabilities and stockholders' equity	<u>\$ 1,313</u>	<u>\$ 1,360</u>

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