



Quest Diagnostics Doubles Earnings in First Quarter 2001

April 23, 2001

- Earnings Guidance for 2001 Revised Upward -

TETERBORO, N.J., April 23 /PRNewswire Interactive News Release/ -- Quest Diagnostics Incorporated (NYSE: DGX), the nation's leading provider of diagnostic testing, information and services, announced that for the first quarter ended March 31, 2001, net income increased to \$35.7 million, or \$0.74 per diluted share, from \$17.8 million, or \$0.39 per diluted share, in the first quarter of 2000. Cash earnings, or earnings before amortization of intangible assets, rose to \$0.94 per diluted share from \$0.63 per diluted share for the 2000 period.

First quarter revenues of \$883 million grew 7% over last year, when adjusted for the prior-year gross-up of revenues and expenses associated with the company's network management business. First quarter revenues grew approximately 3% from the reported prior-year level. Revenue per requisition during the first quarter grew 8% compared to the prior year. Clinical testing volume, measured by the number of requisitions, increased approximately 1% over the prior year period, after adjusting for business contributed to unconsolidated joint ventures, which reduced volume by approximately 1.5%. As a result, reported volume during the first quarter was approximately 1% below the prior year's level.

"We had strong financial performance during the quarter, doubling net income compared to last year," said Kenneth W. Freeman, Chairman and Chief Executive Officer. "Now that laboratory consolidations are essentially behind us, we are directing our focus toward accelerating revenue growth, standardizing our operations and expanding our Six Sigma Quality efforts. Looking ahead, we now expect 2001 full year earnings per diluted share to grow at least 50% from last year, to between \$3.40 and \$3.50 on reported revenue growth of 5% to 7%."

Earnings before interest, taxes, depreciation and amortization (EBITDA), were \$122 million, or 13.9% of revenues, compared to \$98 million, or 11.4% of revenues, for the prior year period. The increase in EBITDA was due to the company's continued pricing discipline, a shift to higher value testing services and the realization of synergies associated with the integration of SmithKline Beecham Clinical Laboratories.

Bad debt expense improved to 6.3% from 7.3% a year ago and remained unchanged from the fourth quarter 2000 level. During the quarter, days sales outstanding improved to 51 days from 56 days at the end of the fourth quarter. The company ended the quarter with \$121 million in cash and no borrowings outstanding under its \$250 million revolving credit facility. Net interest expense for the quarter was reduced to \$22.7 million from \$29.8 million a year ago. Capital expenditures totaled \$44 million for the quarter.

Quest Diagnostics will discuss results for the first quarter during a conference call on April 24 at 8:00 A.M. Eastern Time. To hear a simulcast of the call over the Internet, or a replay, registered analysts may access StreetEvents at: <http://www.streetevents.com> and all others may access the Quest Diagnostics website at: <http://www.questdiagnostics.com>. In addition, a replay of the call will also be available from 10 A.M. on April 24 through 5 P.M. on April 26 to investors in the U.S. by dialing 800-342-8825. Investors outside the U.S. may dial 402-220-9674. No password is required for either number.

Quest Diagnostics is the nation's leading provider of diagnostic testing, information and services with annual revenues of \$3.4 billion in 2000. The company's diagnostic testing yields information that enables health care professionals and consumers to make better decisions to improve health. Quest Diagnostics offers patients and physicians the broadest access to diagnostic testing services through its national network of approximately 30 full-service laboratories, 150 rapid response laboratories and more than 1,300 patient service centers, where specimens are collected. Quest Diagnostics is the leading provider of esoteric testing, including gene-based testing, and is the leader in routine medical testing, drugs of abuse testing, and anatomic pathology testing. Through partnerships with pharmaceutical, biotechnology and information technology companies, Quest Diagnostics provides support to help speed the development of health care insights and new therapeutics. Additional company information can be found on the Internet at: <http://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 described in the Quest Diagnostics Incorporated 2000 Form 10-K and subsequent filings.

Quest Diagnostics Incorporated and Subsidiaries

Consolidated Statements of Operations
For the Three Months Ended March 31, 2001 and 2000
(in millions, except per share data)

	Three Months Ended March 31,	
	2001	2000
Net revenues	\$882.6	\$857.5
Costs and expenses:		
Cost of services	529.1	529.0
Selling, general and administrative	252.8	249.8
Interest, net	22.7	29.8

Amortization of intangible assets	11.1	11.9
Minority share of income	1.1	2.1
Other, net	0.4	(0.3)
Total	817.2	822.3
Income before taxes	65.4	35.2
Income tax expense	29.7	17.4
Net income	\$35.7	\$17.8
Basic earnings per common share:		
Net income	\$0.78	\$0.40
Weighted average common shares outstanding -- basic	45.9	44.1
Diluted earnings per common share:		
Net income	\$0.74	\$0.39
Cash earnings	0.94	0.63
Weighted average common shares outstanding -- diluted	48.3	45.6
EBITDA	\$122.4	\$98.1

Quest Diagnostics Incorporated and Subsidiaries

Consolidated Balance Sheet Information
March 31, 2001 and December 31, 2000
(in millions)

	March 31, 2001	December 31, 2000
Assets		
Cash and cash equivalents	\$120.7	\$171.5
Accounts receivable, net	509.3	485.6
Intangible assets, net	1,297.7	1,261.6
Other assets	975.5	945.8
Total assets	\$2,903.2	\$2,864.5
Liabilities and Stockholders' Equity		
Short-term debt	\$265.0	\$265.4
Long-term debt	758.5	760.7
Other liabilities	780.5	807.6
Common stockholders' equity	1,099.2	1,030.8
Total liabilities and stockholders' equity	\$2,903.2	\$2,864.5

Notes to Financial Tables

(1) Results for 2000 included the effects of testing performed by third

parties under the Company's laboratory network management arrangements. As laboratory network manager, Quest Diagnostics included in its consolidated revenues and expenses the cost of testing performed by third parties. This treatment added \$32.4 million to both reported revenues and cost of services for the three months ended March 31, 2000. This treatment also served to increase cost of services as a percentage of net revenues and decrease selling, general and administrative expenses as a percentage of net revenues.

(2) Depreciation expense totaled \$23.2 million and \$21.2 million for the three months ended March 31, 2001 and 2000, respectively.

(3) Net income per common share is computed by dividing net income less

dividends on preferred stock (approximately \$30 thousand per quarter) by the weighted average number of common shares outstanding. Potentially dilutive common shares primarily represent stock options.

(4) Cash earnings per common share is calculated as cash earnings less

preferred dividends, divided by the diluted weighted average common shares outstanding. Cash earnings represents income before amortization of all intangible assets, net of applicable taxes.

(5) EBITDA represents income before income taxes, net interest expense,

depreciation and amortization.

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