



Quest Diagnostics Announces First Quarter Financial Results

April 14, 1999

TETERBORO, N.J., APRIL 14, 1999—Quest Diagnostics Incorporated (NYSE: DGX) announced today that for the first quarter ended March 31, 1999, net income increased to \$7.4 million, or \$0.24 per diluted share, from \$6.6 million, or \$0.22 per diluted share, during the 1998 period. Revenues were \$381.8 million, compared to \$367.9 million for the prior year period.

"Overall, first quarter results are in line with expectations," said Kenneth W. Freeman, Chairman and Chief Executive Officer of Quest Diagnostics. "We are accelerating our efforts to profitably grow our base business, while successfully completing the acquisition of SmithKline Beecham Clinical Laboratories."

Results for the first quarter include the effect of the company's new QuestNet laboratory network management services offering to large buyers of health care services. As laboratory network manager, accounting rules require Quest Diagnostics to include the cost of testing performed by third parties in consolidated revenues and expenses. This requirement added \$17.5 million to reported revenues and expenses during the first quarter. Adjusted to exclude the impact of QuestNet, revenues declined by 1%. Clinical testing volume, measured by the number of requisitions processed, declined by 7%. Average revenue per requisition processed increased by 6% over the prior-year period.

For the first quarter, total operating costs increased \$15.5 million, compared to the first quarter of 1998. Excluding the effect of QuestNet, operating costs declined \$2.0 million, including a reduction in bad debt expense to 5.6% of revenues from 6.5% for the previous year. The number of days sales outstanding, a measure of billing and collection efficiency, was 54 days, adjusted for QuestNet, compared to 58 days in both the prior-year period and the fourth quarter of 1998. Capital expenditures were \$12.7 million for the quarter.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were \$37.9 million for the first quarter, compared to \$42.6 million for the prior-year period, adjusted for special charges. Contributing to the decline were costs associated with the introduction of QuestNet and additional investments in information technology and marketing capabilities.

In connection with the planned acquisition of SmithKline Beecham Clinical Laboratories, the mandatory waiting period under the Hart-Scott-Rodino Antitrust Act expired on March 25 without the Federal Trade Commission making any further requests for information. "We look forward to completing what promises to be an industry changing acquisition, early in the third quarter," said Mr. Freeman.

The Annual Meeting of Shareholders is scheduled to be held on June 29 in New York City. The 1998 Annual Report to Shareholders will be mailed during the week of April 19.

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 identify and monitor patients who are at-risk for certain diseases. QuestNet is an innovative new product offering that provides network management services to large buyers of health care services.

The 1998 Annual Report on Form 10-K is available from the company's Investor Relations Department at 201-393-5030. The Form 10-K and other information on the company can be found 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.

QuestNet is a registered trademark of Quest Diagnostics Incorporated.

-- Table follows --

**Quest Diagnostics Incorporated and Subsidiaries
Consolidated Statements of Operations
For the Three Months Ended March 31, 1999 and 1998**

(in millions, except per share data)

	<u>Three Months Ended March 31</u>	
	<u>1999</u>	<u>1998</u>
Net revenues	\$ 381.8	\$ 367.9
Costs and expenses:		
Cost of services	227.0	218.0
Selling, general and administrative	127.0	120.5

Interest expense, net	7.4	9.1
Amortization of intangible assets	5.1	5.4
Other, net	<u>1.3</u>	<u>1.2</u>
Total	<u>367.8</u>	<u>354.2</u>
Income before taxes	14.0	13.7
Income tax expense	<u>6.6</u>	<u>7.1</u>
Net income	<u>\$ 7.4</u>	<u>\$ 6.6</u>
Basic net income per common share	<u>\$ 0.25</u>	<u>\$ 0.22</u>
Diluted net income per common share	<u>\$ 0.24</u>	<u>\$ 0.22</u>
Weighted average common shares outstanding – basic	29.7	29.7
Weighted average common shares outstanding – diluted	30.3	30.0

Notes to consolidated statements of operations:

1. 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.
2. Depreciation expense totaled \$11.4 million and \$11.9 million for the three months ended March 31, 1999 and 1998, respectively.
3. Net income for the three months ended March 31, 1998 includes a \$2.5 million charge (\$1.2 million, net of tax, or \$0.04 per share) included in selling, general and administrative expenses related to the Company's consolidation of its laboratory network which was announced in December 1997.
4. Results for the three months ended March 31, 1999 include the effects of the new QuestNet laboratory network management services offering. As laboratory network manager, Quest Diagnostics includes in its consolidated revenues and expenses the cost of testing performed by third parties. This accounting requirement added \$17.5 million to reported revenues and expenses during the quarter.

**Quest Diagnostics Incorporated and Subsidiaries
Selected Balance Sheet Information
March 31, 1999 and December 31, 1998**

(in millions)

	March 31, <u>1999</u>	December 31, <u>1998</u>
Assets		
Cash and cash equivalents	\$ 154	\$ 203
Accounts receivable, net of allowance of \$70 and \$71 at March 31, 1999 and December 31, 1998, respectively	230	221
Other assets	<u>934</u>	<u>936</u>
Total assets	<u>\$ 1,318</u>	<u>\$ 1,360</u>

Liabilities and Stockholders' Equity

Short-term debt	\$ 56	\$ 51
Long-term debt	360	413
Other liabilities	326	329
Common stockholders' equity	<u>576</u>	<u>567</u>
Total liabilities and stockholders' equity	<u>\$ 1,318</u>	<u>\$ 1,360</u>