



Quest Diagnostics Announces Improved Earnings in First Quarter of 1998

April 14, 1998

TETERBORO, N.J., APRIL 14, 1998—Quest Diagnostics Incorporated (NYSE: DGX) announced today that for the first quarter ended March 31, 1998, net income increased to \$6.6 million, or \$0.22 per share, from \$4.0 million, or \$0.14 per share during the 1997 period. Revenues were \$367.9 million compared to \$388.1 million for the prior year period. The 1998 results include a \$2.5 million pretax charge, representing the final costs associated with the consolidation plan announced in December, 1997.

"Efforts to standardize our operations across the country are showing results," said Kenneth W. Freeman, chairman and chief executive officer. "Cost reductions outpaced the revenue decline for the second consecutive quarter, and cash generation remained strong. However, volume weakness continues. Intensive efforts are underway to stabilize our volume by the end of this year and produce new sources of profitable growth. "

During the quarter, revenues declined 5.2% from the previous year, primarily due to competitive pressures, changes in reimbursement policies, and actions taken on unprofitable accounts. Clinical testing volume, measured by the number of requisitions, declined 8.1% for the same reasons.

Average price per requisition remained stable and reflected a 3.1% increase over the prior year period. Total operating costs for the quarter declined from the year-earlier period by \$24.8 million, reflecting ongoing efforts to reduce capacity and align costs with business conditions.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were \$40.1 million for the first quarter, compared to \$38.6 million for the prior year period. Excluding the \$2.5 million charge, EBITDA was \$42.6 million. The number of days sales outstanding, a measure of billing and collection efficiency, improved to 58 days, compared to 63 days at the end of 1997. Capital expenditures totaled \$10 million for the quarter.

"While we are encouraged by our first quarter results, we expect business challenges to intensify," said Mr. Freeman. "New Medicare requirements, which we began to comply with April 1, are likely to change physician ordering patterns and put additional pressure on revenues and earnings. Given the uncertainty surrounding the impact of these requirements, we continue to expect second quarter results will fall below last year's level. However, we remain confident that full-year earnings will be significantly greater than last year."

Quest Diagnostics Incorporated is one of the nation's leading providers of diagnostic testing, information and services with laboratories across the United States. 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, supports laboratory testing for clinical studies, and manufactures and distributes diagnostic test kits and instruments. Quest Informatics uses innovative data mining technology to help large insurers and health care providers monitor populations of patients and identify those at risk for certain diseases. Additional company information 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 1997 Form 10-K.

-- Table follows --

**Quest Diagnostics Incorporated and Subsidiaries
Consolidated Statements of Operations
For the Three Months Ended March 31, 1998 and 1997
(in millions, except per share data)**

	<u>1998</u>	<u>1997</u>
Net revenues	\$ 367.9	\$ 388.1
Costs and expenses:		
Cost of services	218.0	239.3
Selling, general and administrative	120.5	124.0
Interest expense, net	9.1	10.6
Amortization of intangible assets	5.4	6.0
Other, net	<u>1.2</u>	<u>(0.2)</u>
Total	<u>354.2</u>	<u>379.7</u>
Income before taxes	13.7	8.4
Income tax expense	<u>7.1</u>	<u>4.4</u>
Net income	<u>\$ 6.6</u>	<u>\$ 4.0</u>
Basic and diluted net income per common share	<u>\$ 0.22</u>	<u>\$ 0.14</u>
Weighted average common shares outstanding	29.7	28.9

Notes to consolidated statements of operations:

(1) Earnings per share are computed by dividing net income less dividends on preferred stock (approximately \$30 thousand per quarter) by the weighted average number of common shares outstanding. Basic and diluted earnings per share are based upon the weighted average number of shares outstanding during the period. Potentially dilutive common shares, which primarily result from stock options, are insignificant and do not impact earnings per share.

(2) Net income 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.