Quest Diagnostics Announces Increased Earnings for First Quarter 2002

April 18, 2002

TETERBORO, N.J., Apr 18, 2002 /PRNewswire-FirstCall via COMTEX/ -- 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, 2002, net income increased to $66.7 million, or $0.67 per diluted share, from $35.7 million, or $0.37 per diluted share in the first quarter of 2001. Earnings per diluted share increased 46% compared to the 2001 level, adjusted for the required change in goodwill accounting.

“We continue to drive improvement in our financial results through top-line growth and increased efficiency, which translates into substantial increases in earnings per share and improved EBITDA margins,” said Kenneth W. Freeman, Chairman and Chief Executive Officer. “We are realizing benefits from standardizing our operations and expanding our Six Sigma quality efforts. Looking ahead, our growth initiatives, centered on Six Sigma, genomics and customer connectivity, coupled with the recent acquisition of American Medical Laboratories and our agreement to purchase Unilab, are building on a strong foundation to deliver sustainable outstanding returns for our shareholders.”

First quarter revenues of $947 million grew 7.3% over the prior-year level. Revenue per requisition during the first quarter improved 4.1% compared to the prior year. Clinical testing volume, measured by the number of requisitions, increased 2.5% and reflects the impact of continued softness in the drugs-of-abuse testing business, which reduced total company volume by 1.4% during the quarter.

Earnings before interest, taxes, depreciation and amortization (EBITDA), were $156 million, or 16.4% of revenues, compared to $122 million, or 13.9% of revenues, for the prior year period. Bad debt expense improved to 5.8% from 6.3% a year ago. Days sales outstanding improved to 52 days from 54 days at the end of 2001. Capital expenditures were $41 million.

The company ended the quarter with $149 million in cash and no borrowings outstanding under its available credit facilities. On April 1, the company completed the acquisition of American Medical Laboratories (AML), which it financed with approximately $25 million in cash and $475 million in borrowings under existing credit facilities.

Including the results of AML for nine months, revenues for full year 2002 are expected to grow between 13% and 15%. Earnings per share are expected to increase to between $3.03 and $3.08, before charges associated with the acquisition, an increase of more than 30% above the 2001 level, adjusted for the required change in goodwill accounting. Adjusted EBITDA is expected to exceed 17% of revenues. Net interest expense and amortization expense are expected to total approximately $60 million and $10 million, respectively, and capital spending is projected at $160 million to $170 million. Assuming that AML had been part of Quest Diagnostics since January 1, 2001, revenues for full year 2002 are expected to increase approximately 8% on a pro forma basis, with volume growing 4% to 5% and revenue per requisition increasing 2% to 3%. The estimates for both actual and pro forma results exclude the impact of the planned acquisition of Unilab, which the company expects to complete late in the second quarter.

Quest Diagnostics will hold its first quarter conference call on April 19 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: www.streetevents.com, and all others may access the Quest Diagnostics website at: www.questdiagnostics.com. In addition, a replay of the call will be available from 10 A.M. on April 19 through 5 P.M. on June 1 to investors in the U.S. by dialing 800-839-1335. Investors outside the U.S. may dial 402-280-1668. No password is required for either number.

Quest Diagnostics Incorporated is the nation’s leading provider of diagnostic testing, information and services, providing insights that enable physicians, hospitals, managed care organizations and other healthcare professionals to make decisions to improve health. The company offers patients and physicians the broadest access to diagnostic laboratory services through its national network of laboratories and patient service centers. Quest Diagnostics is the leading provider of esoteric testing, including gene-based medical testing, and empowers healthcare organizations and clinicians with state-of-the-art connectivity solutions that improve practice management. 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 described in the Quest Diagnostics Incorporated 2001 Form 10-K and subsequent filings.

Quest Diagnostics Incorporated and Subsidiaries
Consolidated Statements of Operations
For the Three Months Ended March 31, 2002 and 2001
(in millions, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$946.8</td>
<td>$882.6</td>
</tr>
<tr>
<td>Costs and expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of services</td>
<td>557.7</td>
<td>529.1</td>
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<tr>
<td>Selling, general and administrative</td>
<td>258.4</td>
<td>252.8</td>
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<tr>
<td>Earnings before interest, taxes, depreciation and amortization (EBITDA),</td>
<td></td>
<td></td>
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<tr>
<td>Bad debt expense</td>
<td>5.8%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Days sales outstanding</td>
<td>52 days</td>
<td>54 days</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$41 million</td>
<td></td>
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</table>
Interest expense, net                              12.7           22.7
Amortization of intangible assets                   2.2           11.1
Minority share of income                           3.9           1.1
Other, net                                          (0.6)           0.4
Total                                              834.3          817.2

Income before taxes                                 112.5           65.4
Income tax expense                                  45.8           29.7
Net income                                          $66.7          $35.7

Basic earnings per common share:
Net income                                          $0.70          $0.39

Weighted average common shares outstanding - basic  95.4           91.9

Diluted earnings per common share:
Net income                                          $0.67          $0.37

Weighted average common shares outstanding - diluted 99.3           96.6

EBITDA                                             $155.5         $122.4

2001 results adjusted for the adoption of SFAS No. 142:
Adjusted net income                                      $44.4
Adjusted basic earnings per share                       0.48
Adjusted diluted earnings per share                      0.46

Quest Diagnostics Incorporated and Subsidiaries
Consolidated Balance Sheets
March 31, 2002 and December 31, 2001
(in millions, except per share data)

March 31, December 31,
2002       2001

Assets
Current assets:
Cash and cash equivalents                                $149.4         $122.3
Accounts receivable, net of allowance of $224.1 and $216.2 at March 31, 2002 and December 31, 2001, respectively 548.4         508.3
Inventories                                              51.5           49.9
Deferred income taxes                                    153.0          157.6
Prepaid expenses and other current assets                47.5           38.4
Total current assets                                     949.8          876.5
Property, plant and equipment, net                      519.9          508.6
Goodwill, net                                            1,352.4        1,351.1
Intangible assets, net                                    26.2           28.0
Deferred income taxes                                    52.5           52.7
Other assets                                             104.9          113.7
Total assets                                            $3,005.7       $2,930.6

Liabilities and Stockholders' Equity
Current liabilities:
Accounts payable and accrued expenses                $622.3          $657.2
Short-term borrowings and current portion of long-term debt 1.4           1.4
Total current liabilities                             623.7          658.6
Long-term debt                                     820.2          820.3
Other liabilities                                  116.2          115.7

Common stockholders’ equity:
Common stock, par value $0.01 per share;
300 shares authorized; 96.7 and 96.0 shares
issued and outstanding at March 31, 2002
and December 31, 2001, respectively          1.0            1.0
Additional paid-in capital                     1,754.5        1,714.7
Accumulated deficit                            (296.2)        (362.9)
Unearned compensation                          (10.7)         (13.3)
Accumulated other comprehensive loss            (3.0)          (3.5)
Total common stockholders' equity              1,445.6        1,336.0

Total liabilities and stockholders' equity      $3,005.7       $2,930.6

Notes to Financial Tables

1) Depreciation expense totaled $28.1 million and $23.2 million for the
   three months ended March 31, 2002 and 2001, respectively.

2) On May 8, 2001, the Company announced a two-for-one stock split
   effected by the issuance on May 31, 2001 of a stock dividend of one new
   share of common stock for each share of common stock held by
   stockholders of record on May 16, 2001.  All references to shares and
   per share data have been restated to reflect the stock split for all
   periods presented.

3) Net income per common share is computed by dividing net income less
   dividends on preferred stock (approximately $30 thousand per quarter in
   2001) by the weighted average number of common shares outstanding.
   Potentially dilutive common shares primarily represent stock options.
   During the fourth quarter of 2001, the Company redeemed all of the then
   issued and outstanding shares of preferred stock.

4) EBITDA represents income before net interest expense, income taxes,
   depreciation and amortization.

5) 2001 results adjusted for the adoption of Statement of Financial
   Accounting Standards No. 142, "Goodwill and Other Intangibles" ("SFAS
   142") represent results of operations for the first quarter of fiscal
   2001, assuming that SFAS 142 had been effective at the beginning of
   2001.  Adjusted net income and adjusted basic and diluted earnings per
   common share exclude the amortization of goodwill recorded during 2001.

SOURCE Quest Diagnostics Incorporated

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