Quest Diagnostics Announces Improved Operating Performance in Fourth Quarter and Full Year 1999

January 27, 2000

QUEST DIAGNOSTICS ANNOUNCES IMPROVED
OPERATING PERFORMANCE IN FOURTH QUARTER AND FULL YEAR 1999

TETERBORO, N.J., JANUARY 27, 2000 —

Quest Diagnostics Incorporated (NYSE: DGX), the nation's leading provider of diagnostic testing, information and services, announced that for the fourth quarter ended December 31, 1999, net income before special items principally associated with the acquisition of SmithKline Beecham Clinical Laboratories (SBCL) increased to $9.7 million, or $0.22 per diluted share. This compares to fourth quarter 1998 net income of $5.3 million, or $0.18 per diluted share. Special items recorded during the quarter included a pre-tax charge of $43.1 million, principally associated with the integration of SBCL, and a pre-tax gain of $3.0 million, on the sale of an investment. After these items, totaling $24.2 million net of tax, or $0.55 per diluted share, the company reported a net loss of $14.5 million, or $0.33 per diluted share.

Fourth quarter revenues were $815 million in 1999 compared to $363 million in 1998. Earnings before interest, taxes, depreciation and amortization excluding special items (adjusted EBITDA) were $85 million compared to $34 million for the prior year period. The increases in revenues and adjusted EBITDA were due primarily to the acquisition of SBCL.

During the quarter, the company generated strong cash flow, enabling the prepayment of $50 million of debt. Days sales outstanding improved during the quarter to 57 days from 59 days in the third quarter. The company ended the quarter with $27 million in cash and no borrowings outstanding under its $250 million revolving credit facility. Capital expenditures totaled $29 million for the quarter and $76 million for the year ended December 31, 1999.

"We are encouraged by the early results in integrating our operations, and are committed to maintaining a high level of customer service throughout the process," said Kenneth W. Freeman, Chairman and Chief Executive Officer. "Results for the fourth quarter are on track, reflecting continued growth in revenues and cash generation."

For the full year ended December 31, 1999, net income before special items increased to $41.2 million, or $1.15 per diluted share, compared to $26.9 million, or $0.89 per diluted share, in 1998. Revenues increased to $2.2 billion from $1.5 billion. Adjusted EBITDA increased to $237 million from $159 million in 1998. After special items, the company reported a net loss of $3.4 million, or $0.10 per diluted share.

PRO FORMA COMPARISONS

Net income before special items was $9.7 million in the fourth quarter of 1999 and $9.9 million in the prior year, assuming that SBCL had been part of Quest Diagnostics in the prior year. The 1998 pro forma results were favorably impacted by $7.1 million of non-recurring gains, $4.3 million net of tax, recorded by SBCL, which had not been separately classified as special charges or credits. Revenues in the fourth quarter of 1999 increased 4.5% compared to pro forma results in 1998. Clinical testing volume, measured by the number of requisitions, increased approximately 3.5%, and average revenue per requisition approximated the prior-year level. The remainder of the revenue growth resulted primarily from the company's laboratory network management business, for which testing performed by third parties was included in the 1999 consolidated revenues and expenses, partially offset by a reduction in revenues associated with a contract which was accounted for as a loss contract in 1999. Bad debt expense, excluding the impact of the network management business and the loss contract, was 7.7% of revenues during the fourth quarter, compared to 8.9% in 1998 and 7.6% in the third quarter.

For the full year ended December 31, 1999, pro forma net income before an extraordinary loss and special items was $26.6 million, or $0.60 per diluted share, compared to $42.5 million, or $0.98 per diluted share, in 1998. Excluding the impact of non-recurring items, pro forma net income for the full year increased to $41.1 million from $33.9 million. These items, which are described in the notes to the accompanying financial tables, include: restructuring charges; the one-time gain; the extraordinary loss; approximately $24 million of non-recurring expenses in 1999 and approximately $14 million in non-recurring income in 1998, recorded by SBCL prior to the acquisition date, which have not been separately classified as special charges or credits. Pro forma revenues increased to $3.3 billion from $3.0 billion.

In order to present a more meaningful comparison, pro forma EBITDA has been adjusted to exclude items reflected in SBCL's results prior to the acquisition date, which are of a non-recurring nature. As described in more detail in the notes to the financial tables, the items excluded to arrive at adjusted EBITDA were $7.1 million and $14.3 million of non-recurring income for the fourth quarter and full year 1998, respectively; and $24.2 million of non-recurring expenses in 1999. In the fourth quarter, adjusted EBITDA was $85 million compared to $76 million on a pro forma basis in 1998. For the full year, adjusted EBITDA was $337 million in 1999 compared to $330 million on a pro forma basis in the prior year.

Quest Diagnostics will conduct a conference call to discuss Fourth Quarter and Full Year 1999 financial results on Friday, January 28, 2000, at 8 A.M., New York 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. The on-line replay will be available 24 hours a day beginning at noon on January 28. In addition, the replay of the call will be available by telephone beginning at 11 A.M. on January 28 and continuing through February 1 by dialing 800-570-8796.

Quest Diagnostics is the nation's leading provider of diagnostic testing, information and services with annualized revenues of more than $3 billion. The testing performed on human specimens helps doctors diagnose, treat and monitor disease; enables employers to detect workplace drug abuse; and supports pharmaceutical companies in clinical trials of new drugs worldwide. Quest Informatics analyzes laboratory and other medical data to help healthcare providers improve the care of patients. 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 1998 Form 10-K and subsequent filings.

-- Table follows --

Quest Diagnostics Incorporated and Subsidiaries
Consolidated Statements of Operations
For the Quarters and Years Ended December 31, 1999 and 1998

(in millions, except per share data)

	Quarter Ended December 31,		Year Ended December 31,	
	1999	1998	1999	1998
Net revenues	$ 814.5	$ 363.3	$ 2,205.2	$ 1,458.6
Costs and expenses:				
Cost of services	520.4	223.1	1,380.0	896.8
Selling, general and administrative	229.6	113.5	643.4	445.8
Interest expense, net	30.1	6.9	61.5	33.4
Amortization of intangible assets	11.7	5.4	29.8	21.7
Provision for restructuring and other special charges	43.1	-	73.4	-
Other, net	(1.8)	4.5	2.7	7.0
Total	833.1	353.4	2,190.8	1,404.7
Income (loss) before taxes and extraordinary loss	(18.6)	9.9	14.4	53.9
Income tax expense (benefit)	(4.1)	4.6	15.7	27.0
Income (loss) before extraordinary loss	(14.5)	5.3	(1.3)	26.9
Extraordinary loss, net of taxes	-	-	(2.1)	-
Net income (loss)	$ (14.5)	$ 5.3	$ (3.4)	$ 26.9
Income before extraordinary loss and special items	$ 9.7	$ 5.3	$ 41.2	$ 26.9
Basic earnings (loss) per common share:				
Net income (loss)	$ (0.33)	$ 0.18	$ (0.10)	$ 0.90
Income (loss) before extraordinary loss	$ (0.33)	$ 0.18	$ (0.04)	$ 0.90
Income before extraordinary loss and special items	$ 0.22	$ 0.18	$ 1.17	$ 0.90
Cash earnings before extraordinary loss and special items	$ 0.46	$ 0.33	$ 1.91	$ 1.50
Weighted average common shares outstanding – basic	43.7	29.6	35.0	29.7
Diluted earnings (loss) per common share:				
Net income (loss)	$ (0.33)	$ 0.18	$ (0.10)	$ 0.89
Income (loss) before extraordinary loss	$ (0.33)	$ 0.18	$ (0.04)	$ 0.89

Income before extraordinary loss and special items	$ 0.22	$ 0.18	$ 1.15	$ 0.89
Cash earnings before extraordinary loss and special items	$ 0.45	$ 0.32	$ 1.87	$ 1.48
Weighted average common shares outstanding – diluted	44.7	30.1	35.8	30.2
Adjusted EBITDA	$ 85.1	$ 33.9	$ 237.0	$ 158.6

Quest Diagnostics Incorporated and Subsidiaries
Selected Balance Sheet Information
December 31, 1999 and December 31, 1998
(in millions)

	December 31, 1999	December 31, 1998
Assets		
Cash and cash equivalents	$ 27	$ 203
Accounts receivable, net	539	221
Intangible assets, net	1,441	495
Other assets	881	441
Total assets	$ 2,888	$ 1,360
Liabilities and Stockholders' Equity		
Short-term debt	$ 45	$ 51
Long-term debt	1,171	413
Other liabilities	810	329
Common stockholders' equity	862	567
Total liabilities and stockholders' equity	$ 2,888	$ 1,360

Quest Diagnostics Incorporated and Subsidiaries
Pro Forma Combined Statements of Operations
For the Quarters and Years Ended December 31, 1999 and 1998
(in millions, except per share data)

PRO FORMAS	Quarter Ended December 31,		Year Ended December 31,	
	1999	1998	1999	1998
Net revenues	$ 814.5	$ 779.7	$ 3,294.8	$ 3,027.8
Costs and expenses:				
Cost of services	520.4	487.3	2,132.3	1,907.3
Selling, general and administrative	229.6	230.2	925.8	866.2
Interest expense, net	30.1	31.5	122.6	126.6

Amortization of intangible assets	11.7	11.2	44.7	44.7
Provision for restructuring and other special charges	43.1	-	89.2	-
Other, net	(1.8)	(.3)	1.6	(6.3)
Total	833.1	759.9	3,316.2	2,938.5
Income (loss) before taxes and extraordinary loss	(18.6)	19.8	(21.4)	89.3
Income tax expense (benefit)	(4.1)	9.9	4.0	46.8
Income (loss) before extraordinary loss	(14.5)	9.9	(25.4)	42.5
Extraordinary loss, net of taxes	-	-	(2.1)	-
Net income (loss)	$ (14.5)	$ 9.9	$ (27.5)	$ 42.5
Income before extraordinary loss and special items	$ 9.7	$ 9.9	$ 26.6	$ 42.5
Basic earnings (loss) per common share:				
Net income (loss)	$ (0.33)	$ 0.23	$ (0.64)	$ 0.99
Income (loss) before extraordinary loss	$ (0.33)	$ 0.23	$ (0.59)	$ 0.99
Income before extraordinary loss and special items	$ 0.22	$ 0.23	$ 0.61	$ 0.99
Cash earnings before extraordinary loss and special items	$ 0.46	$ 0.47	$ 1.54	$ 1.92
Weighted average common shares outstanding – basic	43.7	42.9	43.3	43.0
Diluted earnings (loss) per common share:				
Net income (loss)	$ (0.33)	$ 0.23	$ (0.64)	$ 0.98
Income (loss) before extraordinary loss	$ (0.33)	$ 0.23	$ (0.59)	$ 0.98
Income before extraordinary loss and special items	$ 0.22	$ 0.23	$ 0.60	$ 0.98
Cash earnings before extraordinary loss and special items	$ 0.45	$ 0.46	$ 1.51	$ 1.90
Weighted average common shares outstanding – diluted	44.7	43.1	44.1	43.4
Adjusted EBITDA	$ 85.1	$ 75.9	$ 337.4	$ 330.3

Notes to Financial Tables

Acquisition of SmithKline Beecham Clinical Laboratories

On August 16, 1999, Quest Diagnostics Incorporated (the "Company") completed the acquisition of the clinical laboratory business of SmithKline Beecham plc ("SmithKline Beecham") for approximately $1.3 billion. The purchase price was paid through the issuance of 12,564,336 shares of common stock of the Company and the payment of $1.025 billion in cash.

The acquisition was accounted for under the purchase method of accounting. As such, the cost to acquire SmithKline Beecham's clinical laboratory business ("SBCL") has been allocated on a preliminary basis to the assets and liabilities acquired based on estimated fair values as of the closing date.

During the fourth quarter of 1999, Quest Diagnostics announced further details related to the integration of SBCL into Quest Diagnostics' laboratory network. The plans focus principally on laboratory consolidations in geographic markets currently served by more than one of the Company's laboratories, and redirecting testing volume within the Company's national network to improve customer service. During the fourth quarter of 1999, the Company recorded the estimated costs associated with activities for 1999 and 2000 relative to the integration. The majority of these integration costs are related to employee severance, contractual obligations associated with leased facilities and equipment, and the write-off of fixed assets which management believes will have no future economic benefit upon combining the operations. Integration costs, including write-offs of fixed assets, totaling $69.1 million which are related to planned activities affecting SBCL assets, liabilities and employees, were recorded in the fourth quarter of 1999 as a cost of the SBCL acquisition, and have the effect of increasing the amount of goodwill recorded. Also recorded in the fourth quarter of 1999 was a charge to earnings of $43.1 million ($26.1 million, net of tax) principally for integration costs, including write-offs of fixed assets, associated with the integration plans affecting Quest Diagnostics assets, liabilities and employees.

The SBCL acquisition agreements include a provision for a purchase price adjustment based on an audit of the August 16, 1999 combined balance sheet of SBCL and certain affiliates. Adjustments resulting from this audit, which are subject to resolution as set forth in the SBCL acquisition agreements, have been reflected in the pro forma combined statements of operations to the extent that the Company believes they are applicable. Additionally, these adjustments have been recorded as of December 31, 1999. However, amounts due from SmithKline Beecham, as a result of the purchase price adjustment, have not been reflected in the December 31, 1999 consolidated balance sheet of Quest Diagnostics.

The financial statements reflect the preliminary allocation of the purchase price. The allocation will be finalized after completion of the valuation of certain assets and liabilities and the final resolution of the purchase price adjustment. There can be no assurances that the amounts reflected in the pro forma combined statements of operations will not be subject to change as a result of changes in the allocation of the purchase price, including the resolution of the purchase price adjustment.

Liabilities for which the obligation is being retained by SmithKline Beecham through an indemnity to Quest Diagnostics, are recoverable from SmithKline Beecham on an after-tax basis. Quest Diagnostics has recorded an estimate for the indemnified liabilities, which primarily relate to taxes and billing and professional liability claims, in its December 31, 1999 consolidated balance sheet with a net receivable due from SmithKline Beecham.

Notes to Consolidated Statements of Operations - Historical

1. Special items, for purposes of determining net income and cash earnings before extraordinary loss and special items, and Adjusted EBITDA, consist of $43.1 million and $73.4 million of restructuring and other special charges recorded in the quarter and year ended December 31, 1999, respectively, and a $3.0 million gain recorded on the sale of an investment in the fourth quarter of 1999.
2. Net income (loss) for the year ended December 31, 1999 includes provisions for restructuring and other special charges totaling $30.3 million ($18.2 million, net of tax) and $43.1 million ($26.1 million, net of tax), recorded in the third and fourth quarters, respectively, principally associated with the acquisition and planned integration of SBCL.

   Of the total special charge recorded in the third quarter of 1999, $19.8 million represents stock based employee compensation related to special one-time grants of the Company's common stock and accelerated vesting, due to the completion of the SBCL acquisition, of stock grants made in previous years. The remainder of the third quarter special charge is primarily attributable to professional and consulting fees incurred in connection with integration related planning activities.

   Of the $43.1 million charge recorded in the fourth quarter of 1999, $36.4 million represents costs related to planned integration activities affecting Quest Diagnostics' operations and employees. The majority of these costs are related to employee severance, lease obligations for facilities and equipment and fixed asset write-offs associated with assets that management plans to dispose of in conjunction with the integration of SBCL. The remainder of the fourth quarter special charge is primarily attributable to professional and consulting fees incurred in connection with integration related planning activities, and special recognition awards for certain employees involved in the transaction and integration planning processes.

3. During the fourth quarter of 1999, the Company reclassified certain expense items, primarily related to a portion of occupancy costs and professional liability insurance expense, from selling, general and administrative expenses to cost of services, to better reflect the cost of performing testing. Results for the quarter and the year ended December 31, 1999 and 1998 have been reclassified for comparative purposes. The amounts reclassified from selling, general and administrative expenses for the year ended December 31, 1999 were $57.4 million. The amounts reclassified from selling, general and administrative expenses for the quarter and year ended December 31, 1998 were $8.8 million and $35.7 million, respectively.
4. In conjunction with the acquisition of SBCL, Quest Diagnostics repaid the entire amount outstanding under its then existing credit agreement. The extraordinary loss recorded in the third quarter of 1999 represents $3.6 million ($2.1 million, net of tax) of deferred financing costs which were written off in connection with the extinguishment of the credit agreement.
5. Depreciation expense totaled $21.9 million and $11.7 million for the quarter ended December 31, 1999 and 1998, respectively, and $61.0 million and $47.1 million for the year ended December 31, 1999 and 1998, respectively.
6. Net income (loss) for the year ended December 31, 1999 includes a fourth quarter gain of $3.0 million ($1.8 million, net of tax) associated with the sale of an investment, and a second quarter interest refund of $1.9 million ($1.2 million, net of tax) associated with a favorable tax settlement. Net income for the year ended December 31, 1998 includes a $2.5 million charge ($1.2 million, net of tax) included in selling, general and administrative expenses related to the Company's consolidation of its laboratory network which was announced in December 1997.
7. Results for the quarter and year ended December 31, 1999 include the effects of testing performed by third parties under the Company's laboratory network management arrangements. As laboratory network manager, Quest Diagnostics includes in its consolidated revenues and expenses the cost of testing performed by third parties. This impacts comparability of results for 1999 as compared to 1998 and added $32.6 million and $91.6 million to both reported revenues and cost of services for the quarter and year ended December 31, 1999, respectively. This treatment also serves to increase cost of services as a percentage of net revenues and decreases selling, general and administrative expenses as a percentage of net revenues.
8. 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. During periods in which net income available for common stockholders is negative, diluted weighted average common shares outstanding will equal basic weighted average common shares outstanding, since the incremental shares would have an anti-dilutive effect on earnings (loss) per common share.
9. Cash earnings represents income before extraordinary loss, special items and amortization of intangible assets, net of applicable taxes. Cash earnings per common share is calculated as cash earnings less preferred dividends, divided by the diluted weighted average common shares outstanding.

Notes to the Pro Forma Combined Statements of Operations
Basis of Presentation
The pro forma combined statements of operations assume that the SBCL acquisition and borrowings under the new credit facility were effected on the earliest period presented. The pro forma combined statements of operations are presented for illustrative purposes only to analyze the financial implications of the SBCL acquisition and borrowings under the new credit facility. The pro forma combined statements of operations may not be indicative of the combined financial results of operations that would have been realized had Quest Diagnostics and SBCL been a single entity during the periods presented. In addition, the pro forma combined statements of operations are not necessarily indicative of the future results that the combined company will experience.

Significant pro forma adjustments include reductions in employee benefit costs, and general corporate overhead allocated to the historical results of SBCL by SmithKline Beecham, offset by an increase in net interest expense to reflect the Company's new credit facility which was used to finance the SBCL acquisition. Amortization of the goodwill, which accounts for a majority of the acquired intangible assets, is calculated on the straight-line basis over forty years. Other, net has been adjusted to remove SBCL's non-recurring gains from the sale and license of certain technology and its physician office-based teleprinter assets and network. Income taxes have been adjusted for the estimated income tax impact of the pro forma adjustments at the incremental tax rate of 40%. A significant portion of the intangible assets acquired in the SBCL acquisition are not deductible for tax purposes which has the overall impact of increasing the effective tax rate.

Pro Forma Combined Results of Operations

1. Special items, for purposes of determining pro forma net income and cash earnings before extraordinary loss and special items, and Adjusted EBITDA, consist of $43.1 million and $89.2 million of restructuring and other special charges recorded in the quarter and year ended December 31, 1999, respectively, and a $3.0 million gain recorded on the sale of an investment in the fourth quarter of 1999.
2. Pro forma net income (loss) for the year ended December 31, 1999 includes a provision for restructuring and other special charges totaling $15.8 million ($9.5 million, net of tax), $30.3 million ($18.2 million, net of tax) and $43.1 million ($26.1 million, net of tax), recorded in the second, third and fourth quarters, respectively, principally incurred in conjunction with the acquisition and planned integration of SBCL.

   The special charge in the second quarter of 1999 of $15.8 million was primarily to record (on a pro forma basis) a loss provision to the results of SBCL to reflect a contract as a loss contract.

   Of the total special charge recorded in the third quarter of 1999, $19.8 million represents stock based employee compensation related to special one-time grants of the Company's common stock and accelerated vesting, due to the completion of the SBCL acquisition, of stock grants made in previous years. The remainder of the third quarter special charge is primarily attributable to professional and consulting fees incurred in connection with integration related planning activities.

   Of the $43.1 million charge recorded in the fourth quarter of 1999, $36.4 million represents costs related to planned integration activities affecting Quest Diagnostics' operations and employees. The majority of these costs are related to employee severance, lease obligations for facilities and equipment and fixed asset write-offs associated with assets that management plans to dispose of in conjunction with the integration of SBCL. The remainder of the fourth quarter special charge is primarily attributable to professional and consulting fees incurred in connection with integration related planning activities, and special recognition awards for certain employees involved in the transaction and integration planning processes.

   In addition, the pro forma combined results for the quarter and year ended December 31, 1999 and 1998, include other income and expense items recorded in SBCL's historical results which are not separately disclosed on the face of the pro forma combined statements of operations. These other income and expense items impact the overall comparability of the pro forma results for 1999 and 1998. The quarter ended December 31, 1998 includes $7.1 million of non-recurring income. The year ended December 31, 1999 includes incremental expense of $24.2 million, and the year ended December 31, 1998 includes $14.3 million of pre-tax profits. Approximately $11 million of the incremental expenses recorded in 1999 resulted from adjustments, recorded by SBCL prior to the acquisition, to accrued liabilities necessary to properly present the closing balance sheet of SBCL. These adjustments impact comparability because they resulted in an overstatement of expenses for the period presented. Additionally, approximately $7 million of the incremental expenses related to losses incurred under the loss contract noted above, and approximately $6 million related to charges associated with two incidents, the costs of which SmithKline Beecham is obligated to indemnify Quest Diagnostics. The most significant of these incidents related to an SBCL employee who allegedly reused certain needles when drawing the blood from patients. The majority of the $14.3 million pre-tax profit included in the year ended December 31, 1998 represents the favorable settlement of a contract dispute. Excluding the impact of these items in both years would result in income before an extraordinary loss and special items of $41.1 million for the year ended December 31, 1999, and $33.9 million for the year ended December 31, 1998. Excluding the impact of these items in both years, Adjusted EBITDA totaled $85.1 million and $75.9 million for the quarter ended December 31, 1999 and 1998, respectively, and $337.4 million and $330.3 million for the year ended December 31, 1999 and 1998, respectively.

3. During the fourth quarter of 1999, the Company reclassified certain expense items, primarily related to a portion of occupancy costs and professional liability insurance expense, from selling, general and administrative expenses to cost of services, to better reflect the cost of performing testing. Pro forma results for the quarter and the year ended December 31, 1999 and 1998 have been reclassified for comparative purposes. The amounts reclassified from selling, general and administrative expenses for the year ended December 31, 1999 were $88.8 million. The amounts reclassified from selling, general and administrative expenses for the quarter and year ended December 31, 1998 were $23.2 million and $93.5 million, respectively.
4. Depreciation expense totaled $21.9 million and $20.6 million for the quarter ended December 31, 1999 and 1998,

respectively, and $81.0 million and $81.5 million for the year ended December 31, 1999 and 1998, respectively.

5. Results for the quarter and year ended December 31, 1999 include the effects of testing performed by third parties under the Company's laboratory network management arrangements. As laboratory network manager, Quest Diagnostics includes in its consolidated revenues and expenses the cost of testing performed by third parties. This impacts comparability of results for 1999 as compared to 1998 and added $32.6 million and $154.0 million to both reported revenues and cost of services for the quarter and year ended December 31, 1999, respectively. This treatment also serves to increase cost of services as a percentage of net revenues and decreases selling, general and administrative expenses as a percentage of net revenues.
6. 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. Both basic and diluted weighted average shares outstanding have been presented on a pro forma basis giving effect to the shares issued to SmithKline Beecham and the shares granted at closing to employees. During periods in which net income available for common stockholders is negative, diluted weighted average common shares outstanding will equal basic weighted average common shares outstanding, since the incremental shares would have an anti-dilutive effect on earnings (loss) per common share.
7. Cash earnings represents income before extraordinary loss, special items and amortization of intangible assets, net of applicable taxes. Cash earnings per common share is calculated as cash earnings less preferred dividends, divided by diluted weighted average common shares outstanding.

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