



Quest Diagnostics Completes Acquisition of SmithKline Beecham Clinical Laboratories

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QUEST DIAGNOSTICS COMPLETES ACQUISITION OF SMITHKLINE BEECHAM CLINICAL LABORATORIES

TETERBORO, N.J., AUGUST 16, 1999 — Quest Diagnostics Incorporated (NYSE: DGX) announced today that it has completed the acquisition of the clinical laboratory operations of SmithKline Beecham plc (NYSE: SBH) for approximately \$1.3 billion in cash and stock.

"Starting today, the new Quest Diagnostics is the clear industry leader in diagnostic testing, information and services, well positioned for profitable growth," said Kenneth W. Freeman, Chairman and Chief Executive Officer of Quest Diagnostics. "As we move quickly to integrate our two companies, our number one priority is to improve value for our customers through enhanced quality and services."

Pursuant to the acquisition, which was approved by Quest Diagnostics shareholders on June 29, Quest Diagnostics acquired SmithKline Beecham Clinical Laboratories (SBCL), including its domestic and foreign clinical testing operations, clinical trials testing, corporate health services, and laboratory information products businesses. SBCL's national testing and service network consists of regional laboratories, specialty testing operations, rapid-turnaround or "STAT" laboratories, and patient service centers. SBCL had 1998 revenues of \$1.6 billion.

As part of the transaction, Quest Diagnostics has granted SmithKline Beecham certain non-exclusive rights for use of its clinical laboratory information database. In connection with such rights, Quest Diagnostics will receive license fees and a minority interest in a company to be formed by SmithKline Beecham, which will sell health care information products and services through various channels, including the Internet.

In addition, SmithKline Beecham and Quest Diagnostics have entered into a long-term contract under which Quest Diagnostics will be the exclusive provider of testing to support SmithKline Beecham's clinical trials testing requirements worldwide.

SmithKline Beecham, which received approximately \$1.0 billion in cash and 12.6 million newly issued shares of Quest Diagnostics' common stock, holds approximately 29% of the outstanding shares of Quest Diagnostics, and has agreed to certain standstill provisions in connection with its ownership. In addition, SmithKline Beecham will indemnify Quest Diagnostics for potential liability arising from certain government and private claims against SBCL.

Designees of SmithKline Beecham occupy two newly created seats on the Quest Diagnostics Board of Directors. The new Directors are William R. Grant and John O. Parker. Mr. Grant is Chairman of Galen Associates, a health care venture investment firm based in New York, and a former Vice-Chairman and member of the Board of Directors of SmithKline Beecham plc. Mr. Parker is Senior Vice President and Director, Information Resources at SmithKline Beecham plc, where he is responsible for the strategy, planning and organization of all information technology worldwide.

The acquisition is expected to accelerate Quest Diagnostics' earnings growth rate, generate savings exceeding \$100 million annually after three years, and be accretive to earnings in 2000, before anticipated charges related to the transaction.

Quest Diagnostics expects the transaction to produce a broad range of benefits for customers, including: improved quality, convenience and accessibility; expanded test development for health care consumers; and dynamic laboratory data and information products to help providers and insurers better manage their patients' health.

Quest Diagnostics is the nation's leading provider of diagnostic testing, information and services to physicians, hospitals, managed care organizations, employers and government agencies with annualized revenues of more than \$3 billion. 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, and manufactures and distributes diagnostic test kits and instruments. Quest Diagnostics is one of the leading providers of testing to support clinical trials of new pharmaceuticals worldwide. Quest Informatics collects and analyzes laboratory, pharmaceutical and other data to help large health care customers better manage the health of their patients. QuestNet is an innovative new product offering that provides network management services to large buyers of health care services. 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.

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