Quest Diagnostics Incorporated
Calculation of Non-GAAP Financial Measures Included in the December 31, 2004 Earnings Release

Net Income and Operating Income Before Special Charges

Net income before special charges excludes the second quarter 2004 charges associated with the acceleration of certain pension obligations in connection with the CEO succession process and the refinancing of the Company's bank debt and credit facility. Operating income before special charge excludes the charge associated with the CEO succession process. Both operating income and net income before special charges, including per common share amounts, are presented because management believes they are useful adjuncts to other measurements under accounting principles generally accepted in the United States, including reported operating income and net income since they are meaningful measures of the Company's on-going operating performance and are on a basis consistent with prior reported results. Operating income before special charge and net income before special charges, including per common share amounts, are not measures of financial performance under accounting principles generally accepted in the United States and should not be considered as alternatives to reported operating income and net income as an indicator of performance. The following table reconciles operating income and net income before special charges to reported results:

	For the Twelve Months Ended December 31, 2004 (in millions, except per share amounts)			
		Special Charges Related to:		
	Before Special Charges	Acceleration of Certain Pension Obligations	Debt Refinancing	As Reported
Net revenues	$ 5,126.6	$ -	$ -	$ 5,126.6
Operating income	$ 901.5	$ (10.3)	$ -	$ 891.2
Interest expense, net	(55.0)	-	(2.9)	(57.9)
Income before taxes	$ 848.3	$ (10.3)	$ (2.9)	$ 835.1
Income tax expense (benefit)	341.2	(4.1)	(1.2)	335.9
Net income	$ 507.1	$ (6.2)	$ (1.7)	$ 499.2
Basic earnings per common share	$ 4.98	$ (0.06)	$ (0.02)	$ 4.90
Diluted earnings per common share	$ 4.77	$ (0.06)	$ (0.02)	$ 4.69
Diluted earnings per common share, before the required change in accounting for the company's contingent convertible debentures [A]	$ 4.87			
Operating income as a percentage of net revenues [B]	17.6%			17.4%

[A] Calculated by dividing net income before special charges by the weighted average common shares outstanding – diluted (before the required change in accounting for the company's contingent convertible debentures)

[B] Calculated by dividing operating income by net revenues

Free Cash Flow

Free cash flow represents net cash provided by operating activities less capital expenditures. Free cash flow is presented because management believes it is a useful adjunct to cash flow from operating activities and other measurements under accounting principles generally accepted in the United States since it is a meaningful measure of a company's ability to fund investing activities and meet its future debt service requirements. Free cash flow is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered as an alternative to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. The following table reconciles net cash provided by operating activities to free cash flow:

	Twelve Months Ended December 31,	
	2004	2003
	(in millions)	
Net cash provided by operating activities	$ 798.7	$ 662.8
Less: Capital expenditures	176.1	174.6
Free cash flow	$ 622.6	$ 488.2

2005 Guidance

Before the impact of the accounting change for equity-based compensation, the Company expects 2005 diluted earnings per common share to be between $5.45 and $5.55, operating income to be between 18% and 19% of revenues and cash from operations to approach $800 million. The Company has not finalized what, if any, changes may be made to its equity compensation plans in light of the accounting change, and therefore is not yet in a position to quantify its impact. The Company expects to announce the impact in connection with reporting its second quarter 2005 financial results. Assuming there are no changes to the Company's equity compensation plans, and an adoption date of July 1, 2005 for the new accounting standard, the Company estimates that the adoption of the new accounting standard will reduce diluted earnings per common share by up to $0.23 per share and operating income, as a percentage of revenues, by up to approximately 1%. The impact on cash from operations of adopting the new accounting standard cannot be estimated at this time.