



Quest  
Diagnostics

**JPMorgan**  
**22<sup>nd</sup> Annual Healthcare Conference**  
**January 12, 2004**

# Safe Harbor Disclaimer

The statements in this presentation which are not historical facts or information are 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 our 2002 Form 10-K and subsequent filings. Additional risks may arise from unanticipated events.



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# **Quest Diagnostics**

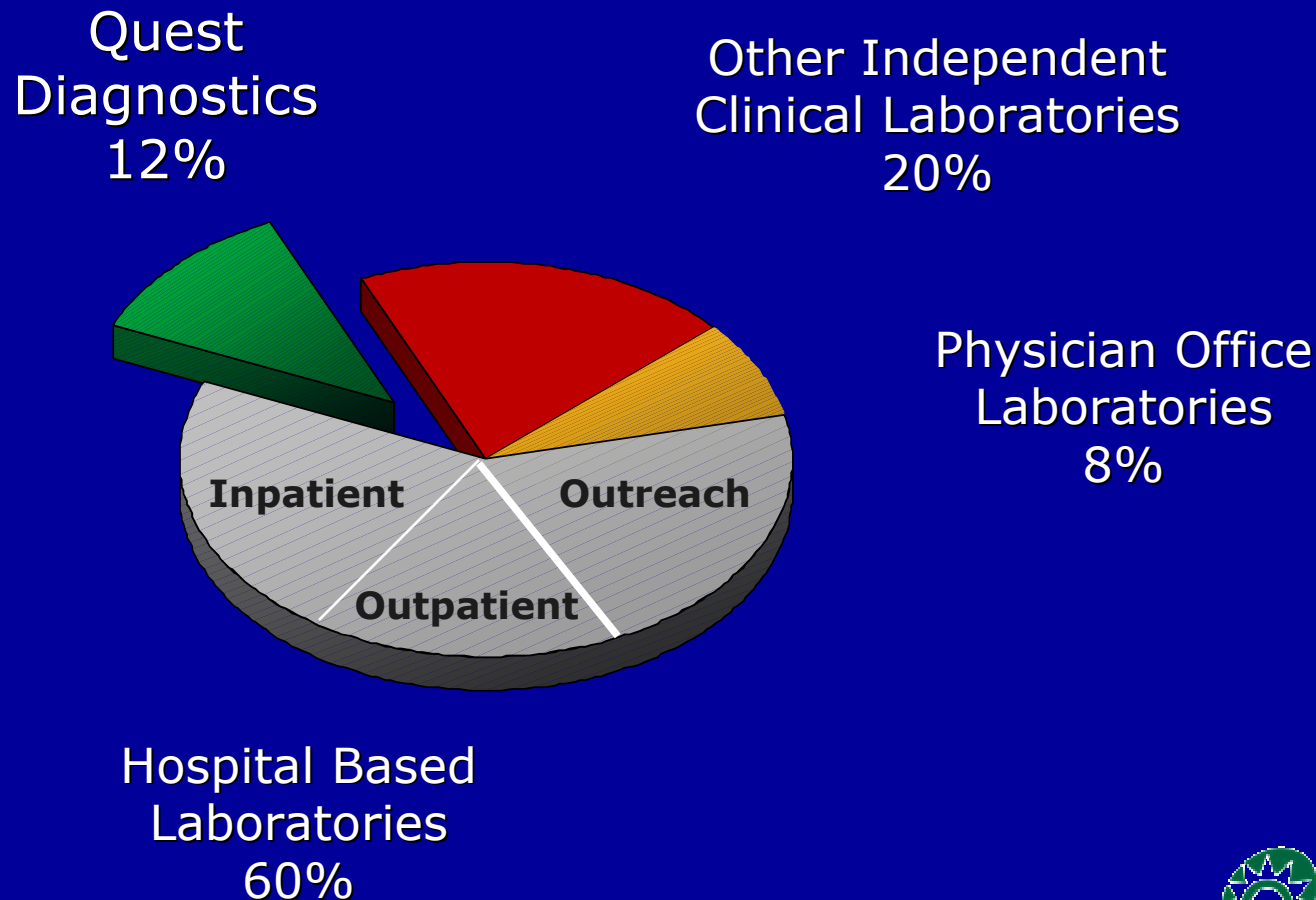
## ***Building on Strength***

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***Touching 130 Million Patients Each Year***

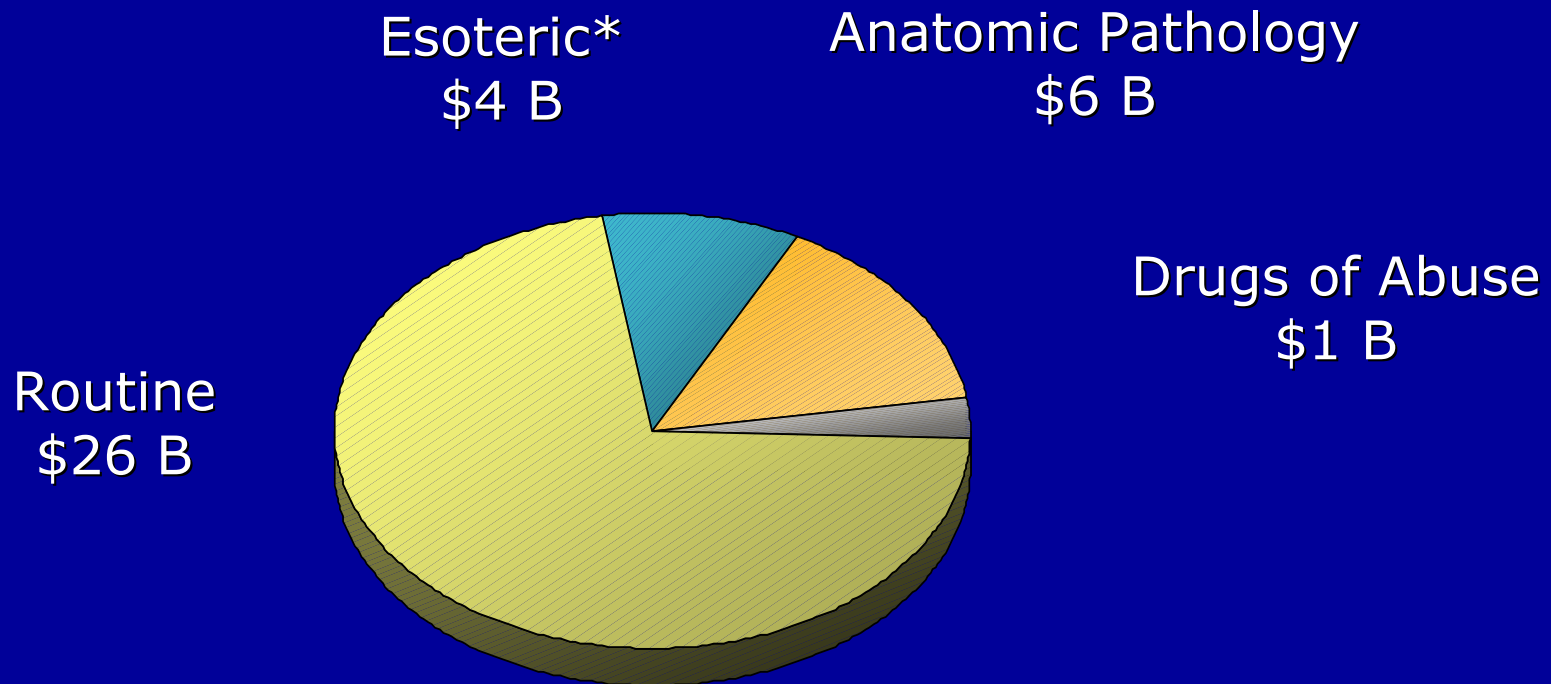
# Diagnostic Testing Market: \$37 B

Quest Diagnostics is the Industry Leader



# Market Segments

A Leader in All Segments



\*Includes Gene Based

# Favorable Industry Trends

## Essential Healthcare Service

- ◆ Growing and Aging Population
- ◆ New Tests & Techniques
- ◆ Interest in Personal Health

Influences >70% of Healthcare Decisions

# Our Differentiators

## Sustainable Competitive Advantage

- ◆ Six Sigma Quality
- ◆ Broadest Access and Distribution
- ◆ Innovation Leadership

# Six Sigma Quality

The “Ultimate” Differentiator

- ◆ Impacting All Aspects of Our Business
- ◆ Strengthening Customer Loyalty
- ◆ Driving Margin Expansion

Taking the Lead in Healthcare Services



# Broadest Access and Distribution

Serving 50% of US Hospitals & Physicians

- ◆ 33 Regional Laboratories
- ◆ 2 Full Service Esoteric Testing Laboratories
- ◆ 170 Rapid Response Laboratories
- ◆ 1,900 Patient Service Centers
- ◆ >37,000 Dedicated Employees
  - ▶ >300 MDs and PhDs
  - ▶ ~15,000 Medical Professionals
  - ▶ >4,000 Couriers

>130 Million Annual Patient Encounters

# Leading Innovator

## Esoteric Testing Leader

- ◆ Cardiovascular Disease
  - ▶ Cardio CRP
  - ▶ Coagulation Profiles
  - ▶ Sub-particle Analysis
- ◆ Cancer
  - ▶ InSure™ Colorectal Cancer Screening
  - ▶ Hematological Oncology
- ◆ Infectious Disease

2003 Gene-Based Revenues >\$500 Million

# Leading Innovator

## Multiple Test Development Channels

- ◆ Nichols Institute
  - ▶ ~100 New Tests Introduced Annually
- ◆ Strategic Relationships
  - ▶ Celera Diagnostics
  - ▶ Roche Diagnostics
- ◆ Technology Transfer
  - ▶ Correlogic Systems
  - ▶ Enterix Inc.
  - ▶ Pharmacia Diagnostics

## Most Comprehensive Test Menu

# Leading Innovator

## Information Technology

- ◆ Test Orders and Results Online
  - ▶ 20% Orders / 25% of Results
- ◆ eMaxx® - EMR/Physician Portal
- ◆ Unparalleled Infrastructure

## Broadest Suite of Connectivity Products



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# **Quest Diagnostics**

## ***Focused on Execution***

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# Operating Principles

Patients Come First

- ◆ Drive Six Sigma Quality
- ◆ Grow Revenues *Profitably*
- ◆ Expand Margins
- ◆ Generate Strong Cash Flow

Performance Oriented

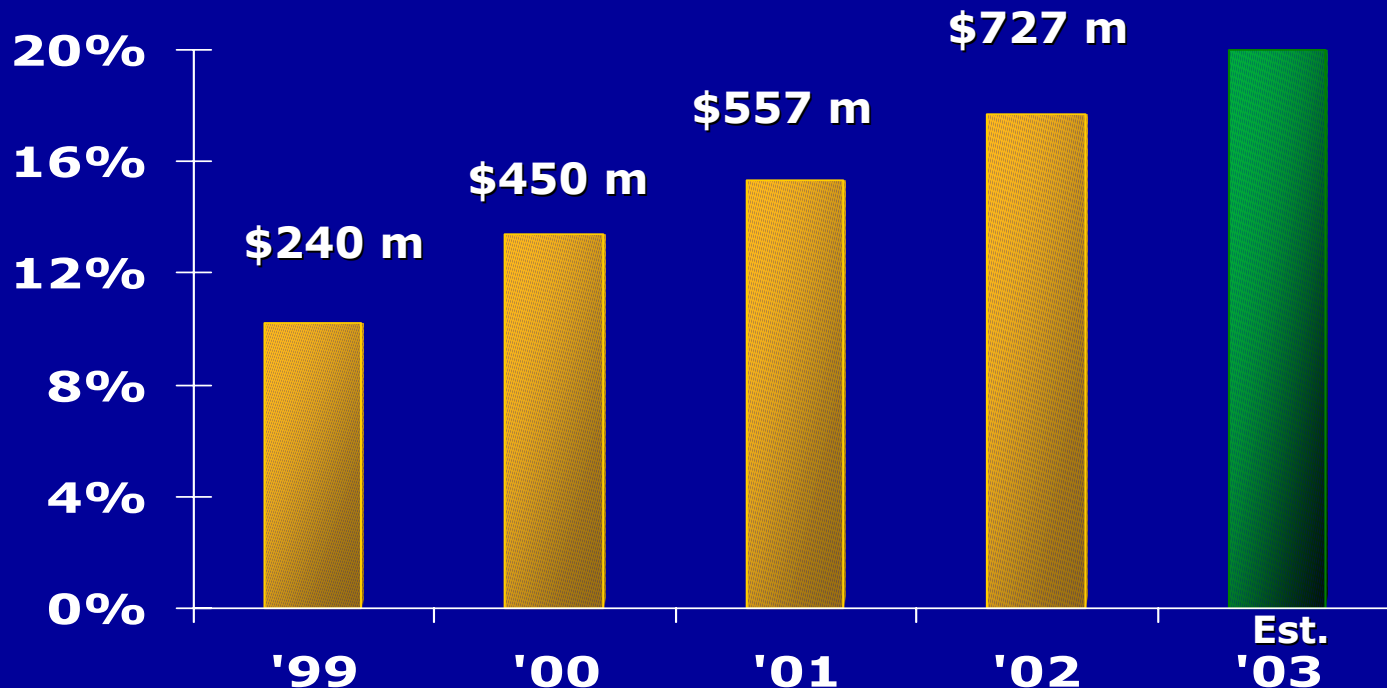
# Grow Revenues Profitably

## Comprehensive Approach

- ◆ New Products
- ◆ Customer Segments
- ◆ New Geographies
- ◆ Selective Acquisitions

# Proven Track Record

Doubled EBITDA Margin Since 1999





# Expand Margins

## Process Discipline

- ◆ Richer Mix of Business
- ◆ Six Sigma
- ◆ Standardization
- ◆ Operating Leverage

# Generate Strong Cash Flow

> \$600 Million Cash From Operations

- ◆ Disciplined Operating Approach
- ◆ Prudent Capital Management
- ◆ Cash Flow Deployment
  - ▶ Invest in Growth
  - ▶ Quarterly Dividend
  - ▶ Repurchase Shares

Enhancing Long-Term Shareholder Return

# Year to Date 2003

# Outstanding Performance

- ◆ Revenues ↑ 15.0%
  - ▶ Volume ↑ 10.8%
  - ▶ Rev/Req ↑ 3.7%
- ◆ Operating Income 17% vs. 14.5%
- ◆ EBITDA 20.2% vs. 17.7%
- ◆ EPS ↑ 29% . . . \$3.10 vs. \$2.41

# 2004 Guidance

## Continued Strong EPS Growth

- ◆ Revenue ↑ ≈ 5%
- ◆ Operating Income Approaching 18%
- ◆ EPS ↑ 12% - 15%
- ◆ Cash From Operations >\$600 Million
- ◆ CapEx \$180 – \$190 Million

# Quest Diagnostics

## Building on Strength

- ◆ The Industry Leader
- ◆ Significant Growth Opportunities
- ◆ Differentiation Through Quality
- ◆ Leading Innovator
- ◆ Outstanding Financial Performance
- ◆ Strong Management

## Focused on Execution

# Regulation G EBITDA Reconciliation

	Nine Months Ended September 30,		Year Ended December 31,			
	<u>2003</u>	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net revenues	\$3,534.0	\$3,074.3	\$4,108.1	\$3,627.8	\$3,421.2	\$2,205.2
Net income (loss)	328.5	240.5	\$ 322.2	\$ 162.3	\$ 102.1	\$ (3.4)
Add:						
Interest expense, net	45.2	41.0	53.7	70.5	113.1	61.5
Income tax expense	226.5	164.6	220.2	148.7	96.0	15.7
Depreciation	107.4	90.5	123.0	101.6	88.6	61.0
Amortization of intangible assets	6.1	6.2	8.3	46.1	45.7	29.8
Provision for restructuring and other special charges	-	-	-	6.0	2.1	73.4
Extraordinary loss, net of taxes	-	-	-	21.6	2.9	2.1
EBITDA	<u>\$ 713.7</u>	<u>\$ 542.8</u>	<u>\$ 727.4</u>	<u>\$ 556.8</u>	<u>\$ 450.5</u>	<u>\$ 240.1</u>
Net income (loss) as a percentage of net revenues	9.3%	7.8%	7.8%	4.5%	3.0%	(0.2%)
EBITDA as a percentage of net revenues	20.2%	17.7%	17.7%	15.3%	13.2%	10.9%

(in millions, except percentage data)

# Regulation G EBITDA Reconciliation\*

	Three Months Ended December 31, 2003	Twelve Month Ended December 31, 2003
Net revenues	\$1,168 - \$1,178	\$4,702 - \$4,712
Net income	\$100 - \$105	\$429 - \$434
Add:		
Interest expense, net	15	60
Income tax expense	69 - 72	296 - 299
Depreciation	37	144
Amortization of intangible assets	2	8
EBITDA	\$223 - \$231	\$937 - \$945
Net income as a percentage of net revenues	8.7%	9.2%
EBITDA as a percentage of net revenues	19.4%	20.0%
(in millions, except percentage data)		

\* Represents management's estimates for the three and twelve months ended December 31, 2003



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