



Fourth Quarter 2013

January 30, 2014

Safe Harbor Disclosure

This presentation may contain forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made and which reflect management's current estimates, projections, expectations or beliefs and which involve risks and uncertainties that could cause actual results and outcomes to be materially different. Risks and uncertainties that may affect the future results of the company include, but are not limited to, adverse results from pending or future government investigations, lawsuits or private actions, the competitive environment, changes in government regulations, changing relationships with customers, payers, suppliers and strategic partners and other factors discussed in "Business," "Risk Factors," "Cautionary Factors that May Affect Future Results," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures About Market Risk" in the company's 2012 Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk," and "Risk Factors" in the company's Quarterly Reports on Form 10-Q and other items throughout the Form 10-K and the company's 2013 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Key Messages

“As we have said throughout the past year, we are operating in a challenging environment and continue to face industry-wide headwinds on reimbursement and utilization. To respond to those pressures, we have implemented a great deal of change in a very short time and we have made good progress, which is reflected in this quarter’s sequentially improving year-over-year trends for volume, revenue per requisition and revenues. We remain committed to executing our five-point strategy, and restoring growth is our top priority”

Steve Rusckowski
President and Chief Executive Officer

Q4 2013 Performance

Continuing operations (\$ in millions - except EPS)

		Q4	Δ 2012	
Revenues	\$	1,756	(1.0%)	Rev/Req is lower primarily due to continued reimbursement pressure and the business mix associated with our second quarter acquisitions, principally the Concentra toxicology business. Volumes improved by 2.3%, inclusive of acquisitions.
- DIS Revenues	\$	1,616	(0.7%)	
- Rev/Req			(3.0%)	
- Volume			2.3%	
Adjusted Operating Income *	\$	282	(6%)	Decrease in adjusted operating income was principally due to lower revenues partially offset by continued progress with our Invigorate initiative.
- % of Revenues *		16.1%	(90 bps)	
Adjusted Income from Continuing Operations attributable to Quest Diagnostics *	\$	151	(7%)	Adjusted diluted EPS benefitted from more than \$1 billion in share repurchases during the year using proceeds of several asset divestitures which generated approximately \$800 million.
Adjusted Diluted EPS *	\$	1.03	2%	
Adjusted net cash provided by operating activities**	\$	385	1%	Adjusted cash from operations was slightly higher, despite income tax payments that were deferred from Q4 2012 into Q1 2013

* Amounts represent adjusted measures that exclude the gain on sale of ibrutinib royalty rights, restructuring and integration charges and loss on sale of Enterix. See reconciliations on pages 8 and 11.

** Adjusted cash from operations excludes tax payment made on sale of ibrutinib. See reconciliation on page 10.



FY 2013 Performance

Continuing operations (\$ in millions - except EPS)

		FY 2013	Δ 2012
Revenues	\$	7,146	(3.2%)
- DIS Revenues	\$	6,587	(3.4%)
- Rev/Req			(3.6%)
- Volume			0.2%
Adjusted Operating Income *	\$	1,156	(12%)
- % of Revenues *		16.2%	(160 bps)
Adjusted Income from Continuing Operations attributable to Quest Diagnostics *	\$	612	(13%)
Adjusted Diluted EPS *	\$	4.00	(8%)
Adjusted net cash provided by operating activities**	\$	827	(30%)

Revenues are lower due to softer healthcare utilization and reduced reimbursement, due to a combination of Medicare reductions and commercial pricing pressure.

Decrease in adjusted operating income was principally due to lower revenues partially offset by continued progress with our Invigorate initiative.

Adjusted cash from operations is lower due to reduced adjusted operating income, cash receipt in 2012 related to interest rate swap termination, and income tax payments that were deferred from Q4 2012 into Q1 2013

* Amounts represent adjusted measures that exclude the gain on sale of ibrutinib royalty rights, restructuring and integration charges, loss on sale of Enterix and CEO succession costs. See reconciliations on pages 9 and 12.

** Adjusted cash from operations excludes tax payment made on sale of ibrutinib. See reconciliation on page 10.



Our 5 Point Strategy

- 1 • Restore: Restore Growth
- 2 • Drive: Drive operational excellence
- 3 • Simplify: Simplify the organization to enable growth and productivity
- 4 • Refocus: Refocus on diagnostic information services
- 5 • Deliver: Deliver disciplined capital deployment and strategically aligned accretive acquisitions

2014 Outlook*

- Revenues to be flat to 2% below 2013.
- Earnings per diluted share to be between \$3.90 and \$4.10.
- Cash provided by operations to approximate \$900 million.
- Capital expenditures to approximate \$300 million.

* Before special items and the Solstas acquisition.

Q4 2013 Reconciliation

Three Months Ended December 31, 2013
(dollars in millions, except per share data)

	As Reported	Restructuring and Integration Charges (a)	As Adjusted
Operating income	\$ 270	\$ 12	\$ 282
Operating income as a % of net revenues	15.3%	0.8%	16.1%
Income from continuing operations attributable to Quest Diagnostics' stockholders (b)	\$ 143	\$ 8	\$ 151
Diluted earnings per common share	\$ 0.97	\$ 0.06	\$ 1.03

(a) Represents costs primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating our business (\$7 million in cost of services and \$5 million in selling, general and administrative expenses).

(b) For the restructuring and integration charges, income tax benefits were calculated using combined federal and state rates of 38.2%.

FY 2013 Reconciliation

Twelve Months Ended December 31, 2013
(dollars in millions, except per share data)

	As Reported	Gain on Sale of Ibrutinib Royalty Rights (c)	Restructuring and Integration Charges (d)	Loss on Sale of Enterix	As Adjusted
Operating income	\$ 1,475	\$ (474)	\$ 115	\$ 40	\$ 1,156
Operating income as a % of net revenues	20.6%	(6.6)%	1.6%	0.6%	16.2%
Income from continuing operations attributable to Quest Diagnostics' stockholders (e)	\$ 814	\$ (298)	\$ 71	\$ 25	\$ 612
Diluted earnings per common share	\$ 5.31	\$ (1.95)	\$ 0.47	\$ 0.17	\$ 4.00

(c) Represents the gain, net of transaction costs, associated with the sale of the Company's ibrutinib royalty rights.

(d) Represents costs primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating our business (\$43 million in cost of services and \$72 million in selling, general and administrative expenses).

(e) For the gain on sale of ibrutinib royalty rights, income tax expense was calculated using a combined federal and state rate of 37.1%. For the restructuring and integration charges and loss on sale of Enterix, income tax benefits were calculated using combined federal and state rates of 38.2% and 35.9%, respectively.

Q4 2013 and FY 2013 Reconciliation

	Adjusted Net Cash Flow provided by Operating Activities (dollars in millions)		
	As Reported	Income Tax Payment Associated with the Sale of Ibrutinib Royalty Rights (f)	As Adjusted
<u>Three Months Ended December 31, 2013</u>			
Net cash provided by operating activities	\$210	\$175	\$385
<u>Twelve Months Ended December 31, 2013</u>			
Net cash provided by operating activities	\$652	\$175	\$827

(f) Represents the income tax payment made during the fourth quarter of 2013 associated with the sale of ibrutinib royalty rights.

Q4 2012 Reconciliation

Three Months Ended December 31, 2012
(dollars in millions, except per share data)

	Restructuring and Integration Charges		
	As Reported	(g)	As Adjusted
Operating income	\$ 265	\$ 36	\$ 301
Operating income as a % of net revenues	14.9%	2.1%	17.0%
Income from continuing operations attributable to Quest			
Diagnostics' stockholders (h)	\$ 140	\$ 23	\$ 163
Diluted earnings per common share	\$ 0.87	\$ 0.14	\$ 1.01

(g) Represents costs primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating our business (\$23 million in cost of services and \$13 million in selling, general and administrative expenses).

(h) For the restructuring and integration charges, income tax benefits were calculated using a combined federal and state rate of 38.7%.

FY 2012 Reconciliation

Twelve Months Ended December 31, 2012
(dollars in millions, except per share data)

	As Reported	Restructuring and Integration Charges (i)	CEO Succession Costs (j)	As Adjusted
Operating income	\$ 1,201	\$ 106	\$ 10	\$ 1,317
Operating income as a % of net revenues	16.3%	1.4%	0.1%	17.8%
Income from continuing operations attributable to Quest Diagnostics' stockholders (k)	\$ 630	\$ 65	\$ 6	\$ 701
Diluted earnings per common share	\$ 3.92	\$ 0.40	\$ 0.04	\$ 4.36

- (i) Represents costs primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating our business (\$52 million in cost of services and \$54 million in selling, general and administrative expenses).
- (j) Principally represents accrued severance and accelerated vesting of equity awards in connection with the succession of our prior CEO (recorded in selling, general and administrative expenses).
- (k) For both the restructuring and integration charges, and CEO succession costs, income tax benefits were calculated using a combined federal and state rate of 38.7%.



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