Second Quarter 2016

July 21, 2016

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Safe Harbor Disclosure

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Q2 2016 Performance
($ in millions, except per share data)

	Q2	Δ Prior Year
Net Revenues, As Reported	$ 1,906	(1.0)%
Net Revenue Growth, on an Equivalent Basis*		2.4 %
DIS Revenues	$ 1,809	2.2 %
Rev/Req		0.2 %
Volume		1.9 %
Operating Income, As Reported	$ 422	40.0 %
% of Revenues	22.1%	650 bps
Adjusted Operating Income*	$ 324	0.9 %
% of Revenues*	17.0%	30 bps
Net Income Attributable to Quest Diagnostics, As Reported	$ 195	64.9 %
Adjusted Net Income*	$ 178	4.6 %
Diluted EPS, As Reported	$ 1.37	69.1 %
Adjusted Diluted EPS Excluding Amortization Expense*	$ 1.34	7.2 %
Cash Provided by Operations, As Reported	$ 311	12.5 %
Adjusted Cash Provided by Operations*	$ 302	(7.4)%
Capital Expenditures	$ 57	NM

* Revenue on an equivalent basis represents 2015 net revenues excluding clinical trials testing and Celera products reported revenues for the second quarter of 2015 and Focus Diagnostics products revenues subsequent to April 2015. Adjusted operating income, adjusted operating income as a percentage of net revenues and adjusted net income represent results that exclude special items, such as the gain on sale of the Focus Diagnostics products business, retirement of debt and related refinancing charges, restructuring and integration charges and other items. Adjusted diluted EPS excluding amortization expense represents results before the impact of special items and amortization expense. Adjusted cash provided by operations represents results that exclude the cash impact of charges on retirement of debt and other items. See non-GAAP reconciliations on pages 6 to 13.

NM = Not meaningful

Q2 2016 YTD Performance
($ in millions, except per share data)

		YTD	Δ Prior Year
Net Revenues, As Reported	$	3,769	0.1%
Net Revenue Growth, on an Equivalent Basis*			3.2%
DIS Revenues	$	3,565	2.9%
Rev/Req			0.6%
Volume			2.3%
Operating Income, As Reported	$	679	28.3%
% of Revenues		18.0%	390 bps
Adjusted Operating Income*	$	605	2.5%
% of Revenues*		16.0%	30 bps
Net Income Attributable to Quest Diagnostics, As Reported	$	298	66.4%
Adjusted Net Income*	$	327	5.3%
Diluted EPS, As Reported	$	2.08	69.1%
Adjusted Diluted EPS Excluding Amortization Expense*	$	2.47	7.4%
Cash Provided by Operations, As Reported	$	464	37.8%
Adjusted Cash Provided by Operations*	$	502	8.2%
Capital Expenditures	$	104	NM

* Revenue on an equivalent basis represents 2015 net revenues excluding clinical trials testing and Celera products reported revenues for the first and second quarters of 2015 and Focus Diagnostics products revenues subsequent to April 2015. Adjusted operating income, adjusted operating income as a percentage of net revenues and adjusted net income represent results that exclude special items, such as the gain on sale of the Focus Diagnostics products business, retirement of debt and related refinancing charges, restructuring and integration charges and other items. Adjusted diluted EPS excluding amortization expense represents results before the impact of special items and amortization expense. Adjusted cash provided by operations represents results that exclude the cash impact of charges on retirement of debt and other items. See non-GAAP reconciliations on pages 6 to 13.

NM = Not meaningful

2016 Outlook

- Revenues to be between $7.47 billion and $7.54 billion, flat to an increase of approximately 1% over 2015 revenues on a reported basis, and an increase of 2% to 3% over 2015 revenues on an equivalent basis.

- Reported diluted EPS to be between $4.18 and $4.33. Adjusted diluted EPS excluding amortization expense to be between $5.02 and $5.17.

- Reported cash provided by operations to approximate $880 million. Adjusted cash provided by operations to approximate $1 billion.

- Capital expenditures to be between $250 million and $300 million.

See non-GAAP reconciliations on pages 14 to 16.

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Non-GAAP Reconciliations

The adjusted measures on pages 3 and 4 are presented because management believes those measures are useful adjuncts to GAAP results. Non-GAAP "adjusted" measures should not be considered as an alternative to the corresponding measures determined under GAAP. Management may use these non-GAAP measures to evaluate our performance period over period and relative to competitors, to analyze the underlying trends in our business, to establish operational budgets and forecasts or for incentive compensation purposes. We believe that these non-GAAP measures are useful to investors and analysts to evaluate our performance period over period and relative to competitors, as well as to analyze the underlying trends in our business and to assess our performance. The following tables reconcile reported GAAP results to non-GAAP adjusted results:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
	(dollars in millions, except per share data)			
Adjusted operating income:				
Operating income	$ 422	$ 301	$ 679	$ 529
Gain on disposition of business (a)	(118)	—	(118)	—
Restructuring and integration charges (b)	18	23	37	54
Other (c)	2	(3)	7	7
Adjusted operating income	$ 324	$ 321	$ 605	$ 590
Adjusted operating income as a percentage of net revenues:				
Operating income as a percentage of net revenues	22.1%	15.6%	18.0%	14.1%
Gain on disposition of business (a)	(6.2)	—	(3.1)	—
Restructuring and integration charges (b)	1.0	1.2	1.0	1.4
Other (c)	0.1	(0.1)	0.1	0.2
Adjusted operating income as a percentage of net revenues	17.0%	16.7%	16.0%	15.7%

Non-GAAP Reconciliations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in millions, except per share data)			
Adjusted net income:				
Net income attributable to Quest Diagnostics	$ 195	$ 118	$ 298	$ 179
Gain on disposition of business (a)	(118)	—	(118)	—
Retirement of debt and related refinancing charges (d)	—	66	48	150
Restructuring and integration charges (b)	19	23	40	54
Other (c)	8	(3)	14	7
Income tax expense (benefit) associated with the special items above (e)	74	(34)	45	(79)
Adjusted net income	$ 178	$ 170	$ 327	$ 311
Adjusted diluted EPS excluding amortization expense:				
Diluted earnings per common share	$ 1.37	$ 0.81	$ 2.08	$ 1.23
Gain on disposition of business (a) (e)	(0.24)	—	(0.24)	—
Retirement of debt and related refinancing charges (d) (e)	—	0.28	0.21	0.64
Restructuring and integration charges (b) (e)	0.08	0.10	0.17	0.22
Other (c) (e)	0.04	(0.02)	0.06	0.04
Amortization expense (f)	0.09	0.08	0.19	0.17
Adjusted diluted EPS excluding amortization expense	$ 1.34	$ 1.25	$ 2.47	$ 2.30

Non-GAAP Reconciliations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in millions, except per share data)			
Revenue on an equivalent basis:				
Net revenues	$ 1,906	$ 1,925	$ 3,769	$ 3,764
Excluded revenue (g)	—	(64)	—	(111)
Revenue on an equivalent basis	$ 1,906	$ 1,861	$ 3,769	$ 3,653
Adjusted cash provided by operations:				
Cash provided by operations	$ 311	$ 277	$ 464	$ 337
Cash charges on retirement of debt (h)	—	68	47	146
Cash tax benefit realized on retirement of debt (i)	(9)	(19)	(9)	(19)
Adjusted cash provided by operations	$ 302	$ 326	$ 502	$ 464

(a) For the three and six months ended June 30, 2016, represents the pre-tax gain on the sale of our Focus Diagnostics products business to DiaSorin S.p.A. for $300 million in cash, or $293 million net of transaction costs and working capital adjustments, which includes $25 million of proceeds held in escrow.

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Non-GAAP Reconciliations

(b) For the three and six months ended June 30, 2016, represents costs primarily associated with systems conversions and integration costs incurred in connection with further restructuring and integrating our business. For the three and six months ended June 30, 2015, represents costs primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating our business. The following table summarizes the pre-tax impact of restructuring and integration charges on the company's consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
	(dollars in millions)			
Cost of services	$ 10	$ 11	$ 17	$ 31
Selling, general and administrative	8	12	20	23
Operating income	$ 18	$ 23	$ 37	$ 54
Equity in earnings of equity method investees, net of taxes	$ 1	$ —	$ 3	$ —

Non-GAAP Reconciliations

(c) For the three and six months ended June 30, 2016, primarily represents costs associated with winding down subsidiaries, non-cash asset impairment charges and costs incurred related to certain legal matters. For the three months ended June 30, 2015, primarily represents a gain of $13 million associated with a decrease in the fair value of the contingent consideration accrual associated with our Summit Health acquisition, partially offset by costs incurred related to certain legal matters and non-cash asset impairment charges. For the six month ended June 30, 2015, primarily represents non-cash asset impairment charges primarily associated with our Celera products business and costs incurred related to certain legal matters, partially offset by a gain of $13 million associated with a decrease in the fair value of the contingent consideration accrual associated with our Summit Health acquisition. The following table summarizes the pre-tax impact of these other items on the company's consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
	(dollars in millions)			
Selling, general and administrative	$ 3	$ 5	$ 6	$ 7
Other operating (income) expense, net	(1)	(8)	1	—
Operating income	$ 2	$ (3)	$ 7	$ 7
Other non-operating expense (income), net	$ 6	$ —	$ 7	$ —

Non-GAAP Reconciliations

(d) For the six months ended June 30, 2016, represents charges associated with the March 2016 cash tender offer where the company purchased $200 million of its 6.95% Senior Notes due July 2037 and 5.75% Senior Notes due January 2040. For three and six months ended June 30, 2015, represents: charges associated with the March 2015 cash tender offer where the company purchased $250 million aggregate principal amount of its 6.95% Senior Notes due July 2037 and 5.75% Senior Notes due January 2040; and charges associated with the April 2015 redemption where the company redeemed all of its 5.45% Senior Notes due November 2015, $150 million of its 3.2% Senior Notes due April 2016 and all of its 6.4% Senior Notes due July 2017. The following table summarizes the pre-tax impact of retirement of debt and related refinancing charges on the company's consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in millions)			
Interest expense, net	$ —	$ 1	$ —	$ 6
Other non-operating expense, net	—	65	48	144
	$ —	$ 66	$ 48	$ 150

Non-GAAP Reconciliations

(e) For the gain on disposition of business, income tax expense resulted in a combined tax rate of 71.4%, which was significantly in excess of the statutory rate primarily due to a lower tax basis in the assets sold, specifically the goodwill associated with the disposition. For the retirement of debt and related refinancing charges, income tax benefits were calculated using a combined tax rate of 38.9% in 2016 and 40% in 2015. For the restructuring and integration charges and other items, income tax impacts, where recorded, were calculated using combined tax rate of 38.9% for both 2016 and 2015. The following table summarizes the income tax expense (benefit) associated with the special items:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in millions)			
Gain on disposition of business	$ 84	$ —	$ 84	$ —
Retirement of debt and related refinancing charges	—	(25)	(18)	(56)
Restructuring and integration charges	(6)	(9)	(15)	(21)
Other	(4)	—	(6)	(2)
	$ 74	$ (34)	$ 45	$ (79)

Non-GAAP Reconciliations

(f) Represents the impact of amortization expense on diluted earnings per common share, net of the income tax benefit. The income tax benefit was primarily calculated using a combined tax rate of 38.9% for 2016 and 2015. The pre-tax amortization expense that is excluded from the calculation of adjusted diluted EPS excluding amortization expense is recorded in the company's statements of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
	(dollars in millions)			
Amortization of intangible assets	$ 17	$ 20	$ 36	$ 41
Equity in earnings of equity method investees, net of taxes	4	—	8	—
	$ 21	$ 20	$ 44	$ 41

(g) Effective July 1, 2015, the company contributed its clinical trials testing business to the Q^2 Solutions joint venture. In 2016, the company wound down its Celera products business and completed its exit from the products business as a result of the sale of Focus Diagnostics products on May 13, 2016. For the three months ended June 30, 2015, excluded revenue represents clinical trials testing and Celera products reported revenues for the second quarter of 2015 and Focus Diagnostics products revenues subsequent to April 2015. Excluded revenue for the six months ended June 30, 2015, represents clinical trials testing and Celera products reported revenues for the first and second quarters of 2015 and Focus Diagnostics products revenues subsequent to April 2015.

(h) For the six months ended June 30, 2016, represents $47 million of pre-tax cash charges on retirement of debt in connection with the March 2016 cash tender offer. For the three and six months ended June 30, 2015, represents $68 million and $146 million, respectively, of pre-tax cash charges on retirement of debt in connection with the March 2015 cash tender offer and April 2015 redemption.

(i) For the six months ended June 30, 2016, represents the estimated cash tax benefit realized associated with the March 2016 cash tender offer charges on retirement of debt. For the three and six months ended June 30, 2015, represents the estimated cash tax benefit realized associated with the March 2015 cash tender offer charges on retirement of debt.

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2016 Outlook Non-GAAP Reconciliations

The outlook for adjusted diluted EPS excluding amortization expense represents management's estimates for the full year 2016 before the impact of special items and amortization expense. The outlook for adjusted cash provided by operations represents management's estimate for the full year 2016 before the cash impact of charges on retirement of debt and the cash tax impact associated with the gain on sale of our Focus Diagnostics products business. Further impacts to earnings and cash provided by operations related to special items may be incurred throughout the remainder of the year. The following table reconciles our 2016 outlook for adjusted diluted EPS excluding amortization expense and adjusted cash provided by operations to the corresponding amounts determined under GAAP:

	Low	High
	(dollars in millions, except per share data)	
Adjusted diluted EPS excluding amortization expense:		
Diluted earnings per common share	$ 4.18	$ 4.33
Gain on disposition of business (a)	(0.24)	(0.24)
Retirement of debt and related refinancing charges (b)	0.21	0.21
Restructuring and integration charges (c)	0.43	0.43
Other (d)	0.06	0.06
Amortization expense (e)	0.38	0.38
Adjusted diluted EPS excluding amortization expense	$ 5.02	$ 5.17
Adjusted cash provided by operations:		
Cash provided by operations		$ 880
Cash charges on retirement of debt (f)		47
Cash tax benefit on retirement of debt (g)		(18)
Cash tax expense on disposition of business (h)		91
Adjusted cash provided by operations		$ 1,000

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2016 Outlook Non-GAAP Reconciliations

(a) Represents the pre-tax gain of $118 million on the sale of our Focus Diagnostics products business.

(b) Represents pre-tax charges of $48 million associated with the retirement of debt and related refinancing charges in connection with the March 2016 cash tender offer.

(c) Represents estimated full year pre-tax charges of $100 million primarily associated with systems conversions and integration costs incurred in connection with further restructuring and integrating our business. Income tax benefits were calculated using a combined tax rate of 38.9%.

(d) Represents pre-tax charges of $14 million primarily associated with winding down subsidiaries, non-cash asset impairment charges and costs incurred related to certain legal matters through June 30, 2016.

(e) Represents the full year impact of amortization expense on the calculation of adjusted diluted EPS excluding amortization expense. Amortization expense used in the calculation is as follows (dollars in millions):

Amortization of intangible assets	$ 72
Amortization expense included in equity in earnings of equity method investees	17
Total pre-tax amortization expense	$ 89
Total amortization expense, net of an estimated tax benefit	$ 55

(f) Represents pre-tax cash charges of $47 million on retirement of debt in connection with the March 2016 cash tender offer.

(g) Represents the estimated full year cash tax benefit associated with the March 2016 cash tender offer charges on retirement of debt.

(h) Represents the estimated full year cash tax expense with the gain on sale of our Focus Diagnostics products business.

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2016 Outlook Non-GAAP Reconciliations

The updated outlook for 2% to 3% revenue growth on an equivalent basis in 2016 represents management's revenue estimates for 2016 versus reported 2015 revenues adjusted to exclude: the 2015 revenues from the clinical trials testing and Celera products businesses; and certain 2015 revenues from the Focus Diagnostics products business. In 2015, the company contributed its clinical trials testing business to the Q^2 Solutions joint venture. In 2016, the company wound down its Celera products business and completed its exit from the products business as a result of the sale of Focus Diagnostics products on May 13, 2016. The following table reconciles our 2015 net revenues determined under GAAP with equivalent revenue for 2015:

	Three Months Ended				Year Ended
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	December 31, 2015
			(dollars in millions)		
2015 Revenue on an equivalent basis:					
Net revenues	$ 1,839	$ 1,925	$ 1,880	$ 1,849	$ 7,493
Excluded revenue					
Clinical trials (a)	(40)	(45)	—	—	(85)
Products (b)	(7)	(19)	(34)	(24)	(84)
2015 Revenue on an equivalent basis	$ 1,792	$ 1,861	$ 1,846	$ 1,825	$ 7,324

	Low	High
2016 Revenue outlook:	(dollars in millions)	
2015 Revenue on an equivalent basis	$ 7,324	$ 7,324
2016 Equivalent revenue growth	2%	3%
2016 Revenue outlook	$ 7,470	$ 7,544

(a) Effective July 1, 2015, the company contributed its clinical trials testing business to the Q^2 Solutions joint venture. Clinical trials testing revenues reported in the first and second quarters of 2015 are excluded to provide 2015 revenue on an equivalent basis.

(b) Celera products revenues reported during 2015 and Focus Diagnostics products revenues subsequent to April 2015 have been excluded to provide 2015 revenue on an equivalent basis.

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