

QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(in thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:			
Net income.....	\$ 581,490	\$ 339,939	\$ 586,421
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	264,593	237,879	197,398
Provision for doubtful accounts.....	326,228	300,226	243,443
Provision for restructuring and other special charges.....	72,650	238,781	55,788
Deferred income tax provision (benefit).....	549	(1,575)	(46,280)
Minority share of income	31,705	26,510	23,900
Stock compensation expense.....	70,581	56,853	55,478
Excess tax benefits from stock-based compensation arrangements.....	(2,420)	(13,981)	(32,693)
Other, net	13,772	8,310	20,172
Changes in operating assets and liabilities:			
Accounts receivable	(282,634)	(265,347)	(273,232)
Accounts payable and accrued expenses	(4,342)	(5,431)	81,347
Integration, settlement and other special charges	(8,223)	(14,013)	(4,247)
Income taxes payable.....	24,653	3,213	45,330
Other assets and liabilities, net.....	(25,553)	15,560	(929)
Net cash provided by operating activities	<u>1,063,049</u>	<u>926,924</u>	<u>951,896</u>
Cash flows from investing activities:			
Business acquisitions, net of cash acquired.....	8,066	(1,535,826)	(236,543)
Capital expenditures	(212,681)	(219,101)	(193,422)
Decrease (increase) in investments and other assets.....	5,732	(4,266)	15,563
Net cash used in investing activities.....	<u>(198,883)</u>	<u>(1,759,193)</u>	<u>(414,402)</u>
Cash flows from financing activities:			
Proceeds from borrowings.....	22,929	3,754,490	375,000
Repayments of debt.....	(481,870)	(2,705,369)	(416,208)
Increase (decrease) in book overdrafts	14,201	(24,950)	(1,705)
Purchases of treasury stock.....	(253,997)	(145,660)	(472,325)
Exercise of stock options.....	30,511	80,928	102,324
Excess tax benefits from stock-based compensation arrangements.....	2,420	13,981	32,693
Dividends paid	(77,964)	(77,327)	(77,135)
Distributions to minority partners.....	(32,931)	(24,678)	(21,900)
Financing costs paid	(1,113)	(21,192)	(728)
Net cash (used in) provided by financing activities.....	<u>(777,814)</u>	<u>850,223</u>	<u>(479,984)</u>
Net change in cash and cash equivalents.....	86,352	17,954	57,510
Cash and cash equivalents, beginning of year	<u>167,594</u>	<u>149,640</u>	<u>92,130</u>
Cash and cash equivalents, end of year	<u>\$ 253,946</u>	<u>\$ 167,594</u>	<u>\$ 149,640</u>

The accompanying notes are an integral part of these statements.