

QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES

(in thousands, except per share data)
Quarterly Operating Results (unaudited)

	<u>First Quarter (i)</u>	<u>Second Quarter (i)</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total Year</u>
<u>2006</u>					
Net revenue from continuing operations	\$1,553,105	\$1,583,082	\$1,583,202	\$1,549,270	\$6,268,659
Gross profit from continuing operations	636,945	656,385	649,467	629,856	2,572,653
Net income from continuing operations	\$ 154,604	\$ 155,960	\$ 163,853	\$ 151,275	\$ 625,692
Net (loss) from discontinued operations	<u>(9,967)</u>	<u>(23,984)</u>	<u>(3,331)</u>	<u>(1,989)</u>	<u>(39,271)</u>
Net income	<u>\$ 144,637 (a)</u>	<u>\$ 131,976 (b)</u>	<u>\$ 160,522 (c)</u>	<u>\$ 149,286 (d)</u>	<u>\$ 586,421</u>
Earnings per common share – basic					
Income from continuing operations ..	\$ 0.78	\$ 0.79	\$ 0.83	\$ 0.78	\$ 3.18
(Loss) from discontinued operations .	<u>(0.05)</u>	<u>(0.12)</u>	<u>(0.02)</u>	<u>(0.01)</u>	<u>(0.20)</u>
Net income	<u>\$ 0.73</u>	<u>\$ 0.67</u>	<u>\$ 0.81</u>	<u>\$ 0.77</u>	<u>\$ 2.98</u>
Earnings per common share – dilutive					
Income from continuing operations ..	\$ 0.77	\$ 0.78	\$ 0.82	\$ 0.77	\$ 3.14
(Loss) from discontinued operations .	<u>(0.05)</u>	<u>(0.12)</u>	<u>(0.02)</u>	<u>(0.01)</u>	<u>(0.20)</u>
Net income	<u>\$ 0.72</u>	<u>\$ 0.66</u>	<u>\$ 0.80</u>	<u>\$ 0.76</u>	<u>\$ 2.94</u>
	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total Year</u>
<u>2005(e) (i)</u>					
Net revenue from continuing operations	\$1,304,596	\$1,363,717	\$1,361,116	\$1,427,297	\$5,456,726
Gross profit from continuing operations	532,115	571,145	562,042	570,711	2,236,013
Net income from continuing operations	\$ 131,821	\$ 152,427	\$ 139,834	\$ 149,114	\$ 573,196
Net (loss) from discontinued operations	<u>(210)</u>	<u>(3,338)</u>	<u>(4,586)</u>	<u>(18,785)</u>	<u>(26,919)</u>
Net income	<u>\$ 131,611</u>	<u>\$ 149,089</u>	<u>\$ 135,248 (f)</u>	<u>\$ 130,329 (g)</u>	<u>\$ 546,277</u>
Earnings per common share – basic					
Income from continuing operations ..	\$ 0.65	\$ 0.76	\$ 0.69	\$ 0.74	\$ 2.84
(Loss) from discontinued operations .	<u>–</u>	<u>(0.02)</u>	<u>(0.02)</u>	<u>(0.09)</u>	<u>(0.13)</u>
Net income	<u>\$ 0.65 (h)</u>	<u>\$ 0.74</u>	<u>\$ 0.67</u>	<u>\$ 0.65</u>	<u>\$ 2.71</u>
Earnings per common share – dilutive					
Income from continuing operations ..	\$ 0.64	\$ 0.74	\$ 0.68	\$ 0.73	\$ 2.79
(Loss) from discontinued operations .	<u>–</u>	<u>(0.02)</u>	<u>(0.02)</u>	<u>(0.09)</u>	<u>(0.13)</u>
Net income	<u>\$ 0.64 (h)</u>	<u>\$ 0.72</u>	<u>\$ 0.66</u>	<u>\$ 0.64</u>	<u>\$ 2.66</u>

(a) In the first quarter of 2006, the Company recorded \$19.4 million of stock-based compensation expense in accordance with SFAS 123R, \$21 million in charges as a result of finalizing its plan of integration of LabOne, Inc., \$4.1 million in charges related to consolidating operations in California into a new facility and a \$15.8 million gain on an investment.

(b) In the second quarter of 2006, the Company recorded \$20 million of stock-based compensation expense in accordance with SFAS 123R, \$28 million in charges as a result of discontinuing NID's operations, and a \$12.3 million charge associated with the write-down of an investment.

- (c) In the third quarter of 2006, the Company recorded \$13.5 million of stock-based compensation expense in accordance with SFAS 123R, an additional \$2.7 million in charges as a result of discontinuing NID's operations and a \$4.0 million charge associated with the write-down of an investment.
- (d) In the fourth quarter of 2006, the Company recorded \$2.5 million of stock-based compensation expense in accordance with SFAS 123R, an additional \$1.0 million in charges as a result of discontinuing NID's operations and a \$10.0 million charge associated with the write-down of an investment. During the fourth quarter of 2006, the Company revised its estimate of the number of the performance share units expected to be earned at the end of the performance periods as a result of revising its estimates of projected performance and reduced stock-based compensation expense associated with performance share units by approximately \$8 million.
- (e) On November 1, 2005, Quest Diagnostics completed the acquisition of LabOne. The quarterly operating results include the results of operations of LabOne subsequent to the closing of the acquisition (see Note 3).
- (f) During the third quarter of 2005, the Company recorded a \$6.2 million charge primarily related to forgiveness of amounts owed by patients and physicians, and related property damage as a result of hurricanes in the Gulf Coast. In addition, the Company recorded a \$7.1 million charge associated with the write-down of an investment.
- (g) During the fourth quarter of 2005, the Company recorded a \$16 million charge to write-off certain assets in connection with a product hold at NID.
- (h) Previously reported basic and diluted earnings per share have been restated to give retroactive effect of the Company's two-for-one stock split effected on June 20, 2005.
- (i) During the third quarter of 2006, the Company completed its wind down of NID and classified the operations of NID as discontinued operations. Previously reported results of operations have been restated to report the results of NID as discontinued operations.