Quest Diagnostics Incorporated
Second Quarter ended June 30, 2007
July 24, 2007

Laure Park: Thank you and good morning. I am here with Surya Mohapatra, our chairman and chief executive officer, and Bob Hagemann, our chief financial officer.

Some of our commentary and answers to questions may contain forward-looking statements that are based on current expectations and involve risks and uncertainties that could cause actual results and outcomes to be materially different. Certain of these risks and uncertainties may include, but are not limited to, competitive environment, changes in government regulations, changing relationships with customers, payers, suppliers and strategic partners and other factors described in the 2006 Quest Diagnostics Incorporated Form 10-K and subsequent SEC filings.

A copy of our earnings press release is available, and the text of our prepared remarks will be available later today in the "quarterly updates" section of our website at www.questdiagnostics.com.

A downloadable spreadsheet with our results and supplemental analysis are also available on the website.

Now, here is Surya Mohapatra.

Surya Mohapatra: Thank you, Laure.

We made significant progress in the second quarter, and our business is getting stronger.

- We remained focused on executing our growth strategy;
- We signed a number of important managed care agreements which recognized the differentiated level of service we provide;
- We improved the efficiency of our operations;
- And, we are the leader in clinical pathology, gene-based and esoteric testing. Now, with AmeriPath, we have become the undisputed leader in anatomic pathology.

We use Six Sigma, Lean principles and technology capabilities to drive operational excellence in our laboratories. We have identified opportunities to improve efficiency and further reduce costs by $500 million over the next two years**.** This will allow us to expand margins in the face of pricing pressures and continue to invest in growth.

During the second quarter:

- Consolidated revenues grew to $1.6 billion;
- Operating margin was 16.6% of revenues, an improvement of more than 3% from the first quarter, largely a result of actions we have taken to reduce costs, and higher revenue per requisition;
- And, we continue to generate considerable cash flow.

We continue to drive organic growth by leveraging sales, service and science.

We executed a number of important health plan contracts.

- We renewed agreements with Coventry and Blue Cross Blue Shield of Massachusetts.
- We expanded our agreement with Blue Cross Blue Shield of Florida.

- We signed new agreements with Medical Mutual of Ohio and Culinary Health Fund in Las Vegas.
- We signed a multiyear contract extension with Cigna HealthCare.
- And we have been working with Aetna to implement our expanded contract, which was effective July 1.

Having these large contracts signed has improved our visibility and reduced uncertainty in this competitive environment.

We differentiate our services by continually enhancing our value proposition. That includes -- a superior patient experience, Six Sigma quality, unparalleled access and convenience, innovative tests and advanced IT solutions… For example:

- Waiting time for patients in virtually all of our patient service centers is under 20 minutes, and can be significantly less for patients who use our electronic appointment scheduling system.
- In our most recent customer satisfaction survey, physicians continue to rate our service higher than the competition. We continue to enhance service by deploying a unique specimen tracking system, enhancing our hospital and physician connectivity and introducing cash collections in our patient service centers.
- And, the use of our Care360 portal continues to grow, with more than one hundred fifteen thousand physician users.

Our superior service and quality have been honored with the prestigious Governor's Sterling Award in Florida, which is based on the National Malcolm Baldrige Criteria for Performance Excellence.

Our focus on scientific innovation to create unique and exclusive tests is driving growth. For example:

- Leumeta plasma-based testing provides an alternative to painful bone-marrow biopsies. During the quarter, we added new tests to this growing family, whose revenues doubled compared to 2006.
- We are the only national lab to offer ImmunoCAP allergy testing, which has been shown to be significantly more accurate than other tests, and continues to grow.
- HerpeSelect from our Focus Diagnostics is the best-selling diagnostic product on the market for Herpes Simplex Virus, with revenues doubling over the prior year.
- We led the development of the use of LC tandem mass spec to enhance vitamin D and testosterone testing, which is growing in high double digits year-over-year.
- We recently launched the only automated test for Fragile X Syndrome, the most common form of inherited mental retardation. This has the potential to provide population-based testing, and drive future growth.

We are very excited about the opportunities to accelerate growth in anatomic pathology by combining with AmeriPath. We have begun to join our companies in a way that preserves the uniqueness of AmeriPath.

Since the acquisition was completed on May 31, my staff and I have traveled around the country to meet with the pathologists, management and employees. They are very supportive and excited about the opportunities for our combined company.

At Quest Diagnostics we now have a medical and scientific staff comprising approximately 900 MDs and Ph.D.s, including some of the world's luminaries in the major diagnostic disciplines.

Now, I'd like to turn it over to Bob, who will provide analysis on our results before I come back with some additional comments.

Bob Hagemann: Thanks, Surya.

As Surya noted, during the second quarter we've made excellent progress in building on the momentum which we established exiting the first quarter. Our progress is clearly reflected in our operating results, and provides us increased confidence regarding the outlook for our business.

Given that the acquisition of AmeriPath, which is included in our results as of June 1, has affected a number of our metrics, I'll highlight its impact as I go through the results. In addition, to highlight our progress, I'll point out improvements in certain metrics compared to the first quarter.

Revenues were $1.6 billion, 3.7% above the prior year, with AmeriPath contributing about four and a half percent growth. Revenues for our clinical testing business, which account for over 90% of our total revenues were 2.1% above the prior year, with AmeriPath contributing 4.8%. Volume was 6% below the prior year, and approximately 8% below without the AmeriPath acquisition. Revenue per requisition increased 8.6%, with 3.1% of the increase due to AmeriPath. The balance of the increase in revenue per requisition continues to be primarily driven by a positive mix shift and an increase in the number of tests ordered per requisition. AmeriPath's organic revenue growth for the second quarter was almost 8% with particular strength in dermatopathology and hospital testing.

We estimate that consolidated revenues were reduced by about four and a half percent due to our change in status with United, with clinical testing volume reduced by about 7%, partially offset by a positive impact to revenue per requisition of about 2%. The positive impact to revenue per requisition is associated with higher reimbursement on the retained United work, with almost .5% percent of the second quarter increase associated with a true up in United's rates. The year-to-date impact of United on revenue per requisition is a positive 1.5%.

As of the end of the second quarter, we estimate that about 75% of the United volume has moved to other contracted providers, compared to about 70% at the end of March. We expect that some additional United volume will move before the end of the year due to United's ongoing efforts. We continue to be encouraged by physicians' decisions to select Quest Diagnostics, when they are given a choice. We have seen no further loss of discretionary work during the second quarter.

With our sales force now focused on winning new accounts and selling additional tests, coupled with the new Aetna agreement which went into effect July 1, we expect to see further improvement in the year-over-year comparisons as the year progresses.

Revenues in our non-clinical testing businesses as a group, which include our clinical trials testing business and the risk assessment business acquired as part of LabOne, were up slightly from the second quarter last year.

The acquisitions of Focus Diagnostics, Enterix and HemoCue contributed about 2% to consolidated revenue growth.

Operating income as a percentage of revenues was 16.6% for the quarter, compared to 18.8% in the prior year. Margins were reduced by about 40 basis points due to the acquisition of AmeriPath. Therefore, the more comparable margin percentage reflected a decrease of 1.8%. This is a significant improvement from the first quarter comparison, in which margins were down 3.5% compared to the prior year. The improvement, which we expect to continue as the year

progresses, is due to actions we have taken to reduce our cost structure; the avoidance of certain costs incurred in the first quarter associated with business retention and workforce reductions; and higher revenue per requisition in the second quarter.

Bad debt expense as a percentage of revenues was 4.3%, and 4% before the inclusion of AmeriPath. The 4% rate compares favorably to the 4.4% rate for Q1. AmeriPath, which carries a higher bad debt rate than the rest of our business, much of it due to the in-patient work done for hospitals, will increase our bad debt expense in the back half of the year by about 1%. Although it is unlikely that we will be able to reduce AmeriPath's bad debt to the rate we maintain for the rest of our business, because of their business mix; this is one of the areas we have identified as a synergy opportunity.

Diluted earnings per share from continuing operations were $.73 compared to $.78 in the prior year. The decrease is primarily due to the change in contract status with United, the impact of which was significantly mitigated in the second quarter, compared to that of the first quarter. Keep in mind that last year's second quarter included a 4 cent charge to write down an investment. Included in footnote 7 to the earnings release is a table, which summarizes the impact to various measures for a number of the items discussed.

Cash from operations was $129 million, and was reduced by $57 million of fees and other expenses paid in connection with the acquisition of AmeriPath. Cash flow, adjusted for these payments, was strong and compares favorably with the $170 million reported in the prior year. During the quarter we made capital expenditures of $49 million and invested $2 billion in the AmeriPath acquisition. The permanent financing for the AmeriPath acquisition consists of a 5-year bank term loan and the proceeds from a very successful offering of 10-year and 30-year notes which was completed on June 22. $90 million of the term loan was repaid towards the end of June.

We were out of the market for repurchasing shares throughout the second quarter due to all the activities associated with the closing and the financing of the AmeriPath transaction. We plan to resume repurchasing shares in the third quarter, but at a reduced level, until we achieve some of the expected improvement in our credit statistics.

Days sales outstanding were 51 days, 4 days above the Q1 level, with all of the increase associated with AmeriPath. We expect AmeriPath's impact on our DSOs to decrease to approximately 2 days by year-end, and less than that over time.

Before moving to full-year guidance, I'll take a few minutes to put our progress in perspective.

We've had an excellent track record of driving growth in revenues, earnings, cash flows and shareholder value. Coming into this year, we indicated that 2007 would be a year of adjustment due to our contract change with United, and intensified pricing pressure resulting from a heightened competitive environment. Yet, despite the near-term challenges we face, we have remained committed to a strategy that we believe will deliver superior long-term performance and shareholder returns.

While we will continue to face challenges, the progress we have made has given us better visibility on a number of uncertainties, and reinforced our confidence in the long-term prospects for our business.

First, while facing intense pressure from a major competitor and a number of payers to commoditize our business, we remained committed to providing a superior service level to patients, physicians and other customers. As a result, we were able to renew, and in some cases

expand, our relationships with a number of important health plans—in each case on economic terms which worked for both parties, and at prices which recognized the differentiated level of service we provide. While there remain a number of managed care agreements to be renewed over the next six months, we now have contracts in place accounting for almost 60% of our contracted managed care business we had coming into the year, with most of the newly contracted business extending into 2010 or beyond. This gives us much improved visibility in terms of access and pricing for this contracting cycle.

We've also taken actions to adjust our cost structure to the new volume levels. We've reduced the size of our workforce in the clinical testing business by over 2,000 during the last six months, while maintaining and, in some cases, improving service levels. We've now pulled out over $200 million in annualized costs. However, we need to do more than adjust costs in connection with changes in volume, if we are to expand margins in a highly competitive environment. As such, we have done extensive analyses of all of our business processes and identified specific opportunities, some of which we have already begun to realize, which will reduce annual costs by another $500 million over the next two years.

Much of the savings will come from streamlining the way we operate our existing labs and patient service centers, not necessarily from reducing capacity, and certainly, not from reducing service levels. In addition, redesigns of the way we do purchasing, billing and logistics, as well as how we operate our administrative functions, will contribute to significant savings. One-time costs anticipated in achieving the savings have not been finalized, and are not netted in the $500 million.

In addition, we've made excellent progress in executing our growth strategy.

Over the past 12 months, we have completed the acquisitions of AmeriPath, HemoCue, Enterix and Focus Diagnostics, and have in place major elements needed to drive future growth. Our focus will now turn to fully integrating and aligning the capabilities of these companies, and those acquired with LabOne, to fully realize the synergy and growth opportunities they create. Accordingly, we expect limited acquisition spending during the next 12 – 18 months.

With key elements of our growth strategy in place, our focus is now on flawless execution, and operational excellence. In connection with the AmeriPath financings, we committed to our lenders to improve our credit metrics over the next twelve months. We expect that much of that improvement will result from improved operating performance, and some debt repayment. As our operating performance continues to improve and we continue to gain better visibility into our projected performance, it will afford us the ability to direct more of our cash flows and balance sheet capacity into share repurchases. And although I'm not currently in a position to commit to a minimum level of share repurchases over the next 12 – 18 months, we are committed to maximizing shareholder returns by driving operating performance and practicing prudent capital management.

Now, I'll turn to our outlook for 2007:

Our current guidance for results from continuing operations is as follows:

- We expect revenues to approximate $6.6 – $6.7 billion. The increase from previous guidance is principally due to the AmeriPath acquisition.

- We expect operating income as a percentage of revenues to approximate 16%. The addition of Ameripath, which currently carries lower margins than the rest of our business, will reduce margins by about 1% in each of the last two quarters, and about 0.5% for the year.

- We continue to expect cash from operations to approximate $800 million. This is net of $57 million of fees and expenses paid in the second quarter in connection with the acquisition of AmeriPath. And we expect capital expenditures of between $210 and $220 million.

- And lastly, we expect diluted earnings per share, adjusted to exclude the $0.04 in first quarter charges, to be between $2.80 and $2.95. This reflects modest dilution from AmeriPath, which we expect will become modestly accretive next year.

- Please note, these estimates exclude any additional charges related to potential restructuring activities.

Now I will turn it back to Surya.

Surya Mohapatra: Thanks, Bob.

As you've heard, we are making progress driving both top and bottom-line growth.

We continue to be focused on high-growth areas like cancer, cardiovascular disease and infectious disease. We are growing our business in these areas and diversifying our revenue stream. Today, as a $7 billion company, we generate about 35% of our revenues, or almost $2.5 billion, from high growth areas such as gene-based and esoteric testing and anatomic pathology. This compares to about 25% or approximately $1 billion in 2002 when we were a $4 billion company.

In addition to organic growth, we have used acquisitions to drive change in our industry and growth in our company. Our acquisition of SBCL changed the game in clinical pathology and the physician business. The combination of AML and our Nichols Institute created unmatched capabilities and drove growth in our hospital business.

Now, with AmeriPath we have the opportunity to again change the game and take advantage of the convergence of anatomic pathology, clinical pathology and molecular diagnostics.

Key elements of our growth strategy are now in place. We are the clear leader in a number of high growth testing areas and we provide the most comprehensive and integrated diagnostic offering available anywhere in the world.

In summary:
- Our business is getting stronger.
- We continue to improve on an already differentiated service offering.
- We have signed a number of important managed care agreements.
- We are making **major** improvements in the efficiency of our operations.
- And, we remain committed to our longer-term goals of driving profitable growth and delivering superior shareholder returns.

We will now take your questions. Operator?

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