

Item 1. Business

Quest Diagnostics Incorporated is the nation's leading provider of diagnostic testing, information and services. We provide insights that enable patients, physicians and others to make decisions to improve health services.

Quest Diagnostics was incorporated in Delaware in 1990; its predecessor companies date back to 1967. We conduct business through our headquarters in Madison, New Jersey, and our laboratories, patient service centers, offices and other facilities around the United States and in selected locations outside the United States. Unless the context otherwise requires, the terms "Quest Diagnostics," the "Company," "we" and "our" mean Quest Diagnostics Incorporated and its consolidated subsidiaries.

During 2007, we generated net revenues of \$6.7 billion and processed approximately 145 million test requisitions. Additional financial information concerning Quest Diagnostics, including our consolidated subsidiaries, for each of the years ended December 31, 2007, December 31, 2006 and December 31, 2005 is included in the consolidated financial statements and notes thereto in "Financial Statements and Supplementary Data" in Part II, Item 8.

OUR STRATEGY AND STRENGTHS

Our mission is to be the undisputed world leader in diagnostic testing, information and services. Our vision states that we are dedicated people improving the health of patients through unsurpassed diagnostic insights and innovation. We focus on patients, growth and people to help achieve our goals.

We offer an array of high value diagnostics services and products that are attractive to patients, physicians, payers, and other providers to become the diagnostic services provider of choice in key areas of the diagnostic testing market. We believe that successful execution of this strategy will drive continued growth. Additionally, we believe that we will be able to grow over the long term at a rate above the U.S. clinical laboratory industry growth rate, to expand margins and to increase international revenues to 10% of consolidated revenues. We plan to do this by gaining more customers and selling more services and products to existing customers. The elements of our strategy are discussed below:

- *Deliver a superior patient experience.* The patient is at the center of everything that we do. Increasingly patients have a choice when it comes to selecting a healthcare provider and we strive to give them new and compelling reasons to put their trust in us. We have made significant investments in training our employees to provide a differentiated patient experience. We believe that this will drive patient and physician loyalty. Additionally, we have deployed automated patient appointment scheduling to most of our patient service centers. This enables patients to schedule appointments at times that are convenient for them and to essentially eliminate waiting times. We believe that we are the only clinical test provider that offers this service in almost all of its patient service centers.
- *Continuously drive Six Sigma quality.* We strive to provide the highest quality in all that we do, including: phlebotomy and specimen transport services; analytical testing processes in our laboratories; accurate and timely lab reports; and billing information. We use Six Sigma and Lean processes to continuously reduce defects, enhance quality and further increase the efficiency of our operations. Six Sigma is a management approach that utilizes a thorough understanding of customer needs and requirements, root cause analysis, process improvements and rigorous tracking and measuring to enhance quality. Lean is a management approach that seeks to streamline processes and eliminate waste. We also use Six Sigma and Lean principles to help standardize operations and processes across our Company and identify and adopt company best practices. We believe our focus on continuously driving Six Sigma quality in all aspects of our business results in superior service to our customers and drives loyalty.
- *Leverage our unparalleled assets and capabilities.* We are the leader in the U.S. clinical testing business and we have the most extensive clinical testing network in the nation. We offer national access to testing services, operating a nationwide network of approximately 2,100 of our own patient service centers, principal laboratories located in more than 30 major metropolitan areas throughout the United States and approximately 150 smaller "rapid-response" laboratories. We are the leading cancer diagnostics provider through our network of specialty testing centers, approximately 40 outpatient anatomic pathology centers, and hospitals throughout the country where we provide inpatient anatomic pathology and medical director services. We have a leading medical and scientific staff of approximately 900 M.D.s and Ph.D.s. We serve approximately half of the physicians and half of the hospitals in the United States. We also provide paramedical examinations in approximately 70 locations in the United States and Canada. We are the leading provider in the United States of gene-based and other esoteric testing, offering the broadest test