

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

menu of more than 3,000 tests. We believe that customers and payers prefer testing providers that offer a comprehensive range of tests and services and the most convenient access to those services and that, as a result, we will be able to profitably enhance our market position.

- *Continue to lead in medical innovation and information technology solutions.* We are a leading innovator in the clinical testing market with unmatched medical and technical expertise. We have the most comprehensive test menu and leading medical and scientific experts available for consultation. Over the past several years, we have expanded our business in more complex and faster-growing testing areas, including gene-based and esoteric testing and anatomic pathology services, reducing the percentage of our revenues from routine testing services. We remain a leading innovator in the clinical testing industry by continuing to introduce new tests, technology and services, including in the evolving area of personalized and targeted medicine. As an industry leader with the largest and broadest U.S. network and expanding presence outside the U.S., we believe we are the best channel for developers of new equipment and tests to introduce their products to the marketplace. Through our relationship with the academic community and pharmaceutical and biotechnology firms, we believe that we are a leader in bringing technical innovation to the market. For example, in 2007, we introduced the ClariSure™ test for identifying chromosome abnormalities associated with 85 developmental disorders in children. The ClariSure test is a laboratory-developed test that uses proprietary technologies and laboratory-developed arrays.

We empower healthcare organizations and clinicians with information technology solutions that can improve patient care and medical practice. We develop differentiated products, such as ChartMaxx® and the Care360™ Physician Portal, that are designed to support the creation and management of electronic patient records, by bringing together, in one patient-centric view, information that includes physician's records and laboratory and hospital data. Our Care360™ products, which are used by more than 125,000 physicians, enable physicians to order diagnostic tests and review test results online. In addition, the Care360 Physician Portal enables physicians to electronically prescribe medication, view clinical and administrative information from various sources, file certain documents into a patient-centric health record maintained in our repository and share confidential information with medical colleagues. We believe that these products enhance the value we provide to our customers and result in increased customer loyalty.

- *Expand our geographic reach.* In addition to growth opportunities in the U.S., we see opportunities to expand our presence in the United Kingdom and Mexico and to bring our experience and expertise in diagnostic testing to international markets, particularly to developing countries where the testing markets are highly fragmented and less mature. During 2007 we established a presence in the growing market in India, and we will offer clinical testing for life insurance companies, clinical trials testing for global pharmaceutical companies and advanced esoteric testing for hospitals, physicians and patients.
- *Expand our diagnostic scope.* Technology advances are enabling testing to move closer to the patient and are becoming increasingly available and reliable. This enables more timely and effective decisions, with the opportunity to improve patient care and reduce medical costs. Since July 2006, we have acquired three businesses that offer point-of-care, or near patient, testing: HemoCue, Focus Diagnostics and Enterix. We intend to expand their product menus, develop novel technology platforms and systems to meet the needs of our clients as well as pursue potential additional acquisitions to supplement our offering. We are developing electronic data links to our Care360 system, enabling the integration of tests performed in a near patient setting with those performed in our laboratories. We are well-positioned to offer choice and integrated solutions to physicians, hospitals, clinics and retail customers for the testing methods that are most appropriate for each patient and practice.

In support of our strategy, in recent years we have undertaken several acquisitions. Our recent acquisitions are enabling us to expand our capabilities, further leverage our assets and differentiate our Company from our competition, diversify our revenues and accelerate our growth. We are focused on completing the successful integration of these acquisitions to realize their full value. We expect to continue to selectively evaluate acquisitions in the United States and in select international markets.

BUSINESS OPERATIONS

Quest Diagnostics is the leading provider of diagnostic testing, information and services in the United States, providing insights that enable patients and physicians to make decisions to improve health services. We offer patients and physicians the broadest access to diagnostic testing services through our nationwide network of laboratories and owned patient service centers. The Company provides interpretive consultation through the largest medical and scientific staff in the industry, with approximately 900 M.D.s and Ph.D.s around the country. We are the leading provider of gene-based testing and other esoteric testing, anatomic pathology services,