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,

including dermatopathology, and testing for drugs-of-abuse. The Company is also a leading provider of testing for clinical trials, and risk assessment services for the life insurance industry. Our diagnostics products business manufactures and markets diagnostic test kits and specialized point-of-care testing. We empower healthcare organizations and clinicians with robust information technology solutions. Our activities are discussed below.

In 2007, our clinical testing business accounted for greater than 90% of our net revenues, with the balance derived from insurer services, clinical trials testing, diagnostic products and healthcare information technology. Most of our services are provided in the United States. Clinical testing includes routine testing, anatomic pathology, gene-based and esoteric testing and drugs-of-abuse testing, which generated approximately 55%, 15%, 18% and 3%, respectively, of our 2007 net revenues. Risk assessment services for the life insurance industry, clinical trials testing, diagnostic products and healthcare information technology combined generated approximately 9% of our 2007 net revenues. In 2007, we derived approximately 3% of our net revenues from foreign operations.

Clinical Testing. Clinical testing is an essential element in the delivery of healthcare services. Physicians use clinical tests to assist in the detection, diagnosis, evaluation, monitoring and treatment of diseases and other medical conditions. Clinical testing is generally categorized as clinical laboratory testing and anatomic pathology services. Clinical laboratory testing is performed on body fluids, such as blood and urine. Anatomic pathology services are performed on tissues, including biopsies, and other samples, such as human cells. Many clinical tests are considered routine and can be performed by most commercial clinical laboratories. Tests that are not routine and that require highly skilled personnel and generally require more sophisticated equipment are considered esoteric tests. Esoteric tests, including gene-based tests, are generally referred to laboratories that specialize in performing those tests.

We are the largest commercial clinical testing company in the U.S., with a leading position in most U.S. geographic markets and service offerings. We offer customers the broadest access in the nation to clinical and anatomic pathology testing, and the most extensive test menu. Including our joint ventures, we operate a 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 also operate approximately 40 outpatient anatomic pathology centers, and provide inpatient anatomic pathology and medical director services for hospitals throughout the U.S.

We provide 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. As testing methods become more complex, we believe that providing sound medical and scientific consultation regarding the correct application of tests and the correct interpretation of test results will help spur the adoption of new tests, improve patient outcomes and enhance client satisfaction. Our medical and scientific directors are available for consultation with our customers.

Routine clinical testing. We are the leading provider in the United States of routine clinical testing, including testing for drugs-of-abuse.

We perform routine testing through our network of major laboratories, rapid response laboratories and patient service centers. We also perform routine testing at the hospital laboratories we manage. Our major laboratories offer a full line of routine clinical tests. Rapid response laboratories are smaller facilities where we can quickly perform an abbreviated menu of routine tests for customers that require rapid turnaround times. Patient service centers are facilities where specimens are collected, and are typically located in or near a building used by medical professionals. We operate 24 hours a day, 365 days a year. We perform and report most routine tests within 24 hours. The majority of test results are delivered electronically.

Routine tests measure various important bodily health parameters such as the functions of the kidney, heart, liver, thyroid and other organs. Commonly ordered tests include:

- blood chemistries, including cholesterol levels;
- complete blood cell counts;
- urinalyses;
- pregnancy and other prenatal tests;
- alcohol and other substance-abuse tests; and
- allergy tests such as the ImmunoCap® test.

Anatomic Pathology. We are the leading provider of anatomic pathology services, including dermatopathology, in the U.S. Anatomic pathology involves the diagnosis of cancer and other diseases and medical conditions through the examination of tissue and cell samples taken from patients. We provide anatomic

pathology and other cancer diagnostic testing through our centers of excellence and approximately 40 outpatient anatomic pathology centers. Additionally, we provide inpatient anatomic pathology and medical director services for hospitals throughout the country. We have a substantial presence in target markets to deliver our services locally and enable our pathologists to establish strong relationships with our referring physician base.

We significantly strengthened our anatomic pathology services offering through our May 2007 acquisition of AmeriPath Group Holdings, Inc., ("AmeriPath"). We provide a full-range of cancer diagnostic services to all specialties including: dermatopathology, gastroenterology, hematology, urology and oncology. We have approximately 800 board-certified pathologists, including luminaries in their field, with a passion for and dedication to serving patients with the highest quality service.

We have a strong history of leadership and innovation in cancer diagnostics. We introduced the Leumeta™ family of tests for leukemia and lymphoma. These are proprietary plasma-based molecular tests that may some day eliminate the need for painful bone marrow biopsies. We offer Pap testing using liquid-based technology in addition to conventional Pap testing and provide physicians the option of computer assisted Pap screening. We were among those leading the industry in educating physicians about molecular testing for human papilloma virus ("HPV"), the leading cause of cervical cancer.

Gene-Based and Other Esoteric Testing. Gene-based and esoteric tests are typically ordered when a physician requires additional information to complete a diagnosis, establish a prognosis or choose or monitor a therapeutic regimen. Esoteric tests include procedures in the areas of molecular diagnostics, protein chemistry, cellular immunology and advanced microbiology. Commonly ordered esoteric tests include viral and bacterial detection tests, drug therapy monitoring tests, autoimmune panels and complex cancer evaluations. Esoteric tests are those tests that require professional "hands-on" attention from highly skilled technical personnel, that generally require more sophisticated technology, equipment or materials and that may be performed less frequently than routine tests. Consequently, esoteric tests are generally reimbursed at higher levels than routine tests. Because it is not cost-effective for most hospitals, independent laboratories or physician office laboratories to develop and perform a broad menu of esoteric tests, or to perform low-volume esoteric testing in-house, these tests generally are outsourced to an esoteric clinical testing laboratory, such as our Nichols Institute or Focus Diagnostics, that specializes in performing these complex tests.

We are the leading provider in the United States of gene-based and other esoteric testing. We believe that we have the largest gene-based and esoteric testing business in the United States, with over $1.2 billion in net revenues during 2007. We conduct complex and specialized testing, including molecular diagnostics, on both coasts through our world renowned Nichols Institute laboratory facilities, which are among the leading esoteric clinical testing laboratories in the world.

Our esoteric laboratories offer reference testing services to large academic medical centers, hospitals and commercial laboratories. Our esoteric testing laboratories perform hundreds of complex tests that are not routinely performed by our regional laboratories, generally in the following fields:

- endocrinology and metabolism (the study of glands, their hormone secretions and their effects on body growth and metabolism);
- genetics (the study of chromosomes, genes and their protein products and effects);
- hematology (the study of blood and bone marrow cells) and coagulation (the process of blood clotting);
- immunogenetics and human leukocyte antigens (HLA) (solid organ and bone marrow transplantation; eligibility for vaccines and immunotherapy);
- immunology (the study of the immune system including antibodies, immune system cells and their effects and autoimmune diseases);
- microbiology and infectious diseases (the study of microscopic forms of life including parasites, bacteria, viruses, fungi and other infectious agents);
- oncology (the study of abnormal cell growth including benign tumors and cancer);
- serology (a science dealing with body fluids and their analysis, including antibodies, proteins and other characteristics); and
- toxicology (the study of chemicals and drugs and their effects on the body's metabolism).

New test introduction. We are a leading innovator, bringing new and improved tests to the market. Gene-based and other esoteric tests are the fastest growing area within the diagnostic testing industry. We believe that the unveiling of the human genome and the linkages of genes and the proteins they produce with disease are resulting in, and will continue to result in, more complex and thorough predictive and diagnostic testing. We are

well positioned to benefit from this growth. We intend to focus on commercializing diagnostic applications of discoveries in the areas of cancer, cardiovascular disease and infectious disease as well as functional genomics and proteomics, including the area of personalized medicine. We are committed to introducing clinically relevant and leading edge diagnostic tests. We bring tests to market that we develop as well as through relationships with diagnostic technology developers. We are a leader in transferring technical innovations to the market through our relationships with the academic community and pharmaceutical and biotechnology firms, as well as through collaborations with emerging medical technology companies that develop and commercialize novel diagnostics, pharmaceutical and device technologies. As the industry leader, we believe that we are the best partner for developers of new technology and tests to introduce their products to the marketplace.

We focus our resources on key disease states, including cancer, cardiovascular disease and infectious disease, and technologies that will help doctors care for their patients through better screening, diagnosis, prognosis, treatment choice and monitoring. During 2007, we introduced new and improved assays and services, principally in the following areas:

- Oncology.
  - We expanded our Leumeta™ family of plasma-based molecular leukemia and lymphoma tests, introducing four additional tests. As we reach critical mass with our proprietary Leumeta menu, we are planning collaborations with oncology centers on independent clinical studies to directly compare bone marrow cell-based tests with our Leumeta plasma-based tests. We have also added new fluorescence in situ hybridization, or FISH-based, tests to aid in prognosis and therapeutic response monitoring for multiple leukemia and lymphoma cancers.
  - We developed and introduced an Alpha-Fetoprotein (AFP) and Glypican-3 tests to determine risk, diagnosis and prognosis of hepatocellular carcinoma (HCC). HCC is the fifth most common cancer in the world, and patients most at risk for this liver-based malignancy are those with chronic hepatitis B or C virus infections, and those with hepatic cirrhosis.
- Infectious Disease.
  - We offer Hepascore™, a non-invasive test to predict significant liver fibrosis or cirrhosis in patients with viral hepatitis C. The test uses multiple variables to generate a score and the likelihood of each fibrosis stage.
  - We introduced a test to detect posaconazole, an antifungal drug. The test is designed to avoid interference by another commonly used antifungal agent.
  - We introduced the first commercially available laboratory test in the U.S. for detecting the mosquito-borne chikungunya virus. This test, which is performed using molecular polymerase chain reaction (PCR), will enable physicians to test patients who may have contracted the virus, such as individuals returning from regions in Africa and Asia where chikungunya is endemic.
- Genetics.
  - Our new amino acid analysis test represents a major advance over prior quantitation techniques, essential in the diagnosis of metabolic disorders and nutritional deficiencies in children and adults. Employing a combination of Liquid Chromatography (LC) and Mass Spectrometry (MS), this new method can be used to measure and report up to 47 individual amino acids. For newborns, time and accuracy are critical, so this advance is especially helpful for pediatricians to diagnose inborn errors of metabolism that can impair a child's mental and physical development.
  - We have begun to introduce tests that employ a new micro-array technology known as Comparative Genomic Hybridization (CGH) to detect genomic alterations. We own the intellectual property underlying this micro-array technology, which is used to analyze information contained within an individual's genetic makeup. CGH micro-array technologies compare and contrast a specimen's DNA to the DNA of a healthy individual to identify, at a high resolution, extra or missing genetic material in the specimen. Our first CGH test, ClariSure, introduced to the market has been applied to the diagnosis of mental retardation and developmental delay (MR/DD). In 2008, we plan to expand the use of CGH technology to leukemia testing.
  - We have developed automation of a genetic test to determine whether parents are carriers of the genetic mutation that causes Fragile X syndrome, the most common form of inherited mental retardation. This automation will enable broad-based population screening for Fragile X.
- Liquid Chromatography-Tandem Mass Spectrometry. We are a leader in improving the techniques and utilization of liquid chromatography-tandem mass spectrometry (LC-MS/MS) so it can be used in a high-

volume routine testing environment for improved testing, monitoring and treatment of patients with steroidal and hormonal conditions. Using this platform, we developed and introduced a more accurate and sensitive 25-OH Vitamin D test as well as a testosterone test for hypogonadal males, women and children, because in these patient populations, fluctuations in minute amounts of testosterone can have important health and treatment implications.

- Transplant Care. We continue to expand our transplantation menu and support by developing and offering Chagas Disease screening and verification testing in addition to screening to improve the quality of the donor blood supply. Chagas is a parasitic-based disease most commonly found in rural Latin American countries. With the ease of travel to these areas, it is important to be able to screen the blood and tissue donor supply, as patients can be infected through organ or tissue transplantation or blood transfusion.
- Coagulation. During 2007, the medical and other press highlighted the challenges establishing the correct initial dosing levels for patients being placed on warfarin (Coumadin®) therapy for a number of anti-clotting medical needs. We were ready with the Cytochrome P450 2C9 and VKORC1 Mutation Analysis test to determine an individual patient's genetic factors that are important in predicting response and assist in dosing. Through our Nichols Institute website, we were the first reference laboratory to provide a web-link to the WarfarinDosing.org website to assist physicians in determining initial warfarin doses utilizing the genetic test and other factors. In 2007 we included the availability of medical consultation on difficult cases with specialized interpretation and results reports and showcased our expertise in a Case-Oriented Symposium on Bleeding and Thrombosis.

We believe that offering a full range of gene-based and other esoteric tests, including new tests, strengthens our market offering and market position and enhances our reputation as the nation's leading test provider.

Clinical Trials Testing. We believe that we are the second largest provider of central laboratory testing performed in connection with clinical research trials on new drugs and vaccines. Clinical research trials are required by the U.S. Food and Drug Administration and other international regulatory authorities to assess the safety and efficacy of new drugs and vaccines. We have clinical trials testing centers in the United States and the United Kingdom, and we provide clinical trials testing in Australia, China and Singapore through affiliated laboratories. We are launching a clinical trials testing center in India. Approximately 45% of our net revenues from clinical trials testing in 2007 represented testing for GlaxoSmithKline plc (GSK). We are the primary provider of central laboratory testing to support GSK's clinical trials testing requirements worldwide.

Insurer and Employer Services. We believe that we are the largest provider of risk assessment services to the life insurance industry in the United States and Canada. Our risk assessment services comprise underwriting support services to the life insurance industry including teleunderwriting, specimen collection and paramedical examinations, clinical testing, medical record retrieval, case management, motor vehicle reports, telephone inspections, prescription histories and credit checks. The clinical tests performed and data gathered by us are specifically designed to assist an insurance company in objectively evaluating the mortality and morbidity risks posed by policy applicants. The majority of the testing is performed on specimens of individual life insurance policy applicants, but also includes specimens of individuals applying for other types of insurance policies. We also provide risk assessment services for insurance companies doing business in many countries outside the United States. We plan in 2008 to commence providing risk assessment services in India. We operate approximately 70 locations in the United States and Canada where we coordinate providing paramedical examinations. We also contract with third parties for these services at approximately 120 locations across the United States and Canada. We are actively performing paramedical examinations in select patient service centers because many life insurance applicants prefer this option to a home or workplace examination.

We believe that we are the leading provider of clinical testing to employers for drugs-of-abuse. Our Drug Testing Index, which is an annual report of our aggregate drug testing results, is used nationally by employers, the federal government and the media to help understand and explain drug abuse among the nation's workforce. We also provide wellness testing to employers to enable employees to take an active role in improving their health and empowering employers with aggregated health information. Our Blueprint for Wellness program offers employers actionable data to power their health improvement and cost containment programs.

Diagnostic Products, Including Point-of-care, or Near Patient, Testing. Technology advances are enabling testing to move closer to the patient and are becoming increasingly available and reliable. Over time, some testing that is now done in clinical laboratories will cease to be performed in clinical laboratories and will be performed closer to the patient. We believe that our point-of-care testing strategy will strengthen our relationship with our customers by enabling us to offer more solutions that improve the effectiveness of our customers and the care of their patients by enabling faster diagnosis and treatment. We are well-positioned to offer options and

integrated solutions to physicians, hospitals and clinics for the testing methods that are most appropriate for each patient and practice.

We develop and manufacture products that enable healthcare professionals to make healthcare diagnoses, including products for point-of-care, or near patient, testing for the professional market. Since July 2006, we have acquired several companies, including Focus Diagnostics, Enterix, and HemoCue, that enhance our offerings and better enable us to serve these markets. We will consider additional acquisitions or licenses of selective products to complement the products and services we provide. We offer an electronic data link through our Care360 Physician Portal so that the results of the InSure™ Quik FIT point-of-care tests, as well as tests performed by our laboratories, will be available in one electronic medical record. We intend to offer additional data links in the future. This will differentiate our point-of-care test products from other products that are not integrated into an electronic repository.

Focus Diagnostics is a leading provider of infectious disease testing that has established a reputation for being first to introduce new tests to the market, including diagnostic tests for Lyme disease, West Nile Virus and SARS. Focus Diagnostics develops, manufactures and markets diagnostic products, such as HerpeSelect® ELISA tests that detect patient antibodies to specific types of Herpes Simplex Virus, which can be performed on a variety of instrument platforms. Focus received Food and Drug Administration ("FDA") 510(k) clearance to sell in the U.S. its new multiplexed Plexus® product to detect type specific antibodies to herpes simplex virus. Focus has also submitted an application to the FDA for 510(k) clearance to allow U.S. sales of Plexus® products for the detection of antibodies specific to Epstein-Barr virus. Both the Plexus® products have received the CE mark and are available for purchase in European Union countries. Focus Diagnostics sells its diagnostic products to large academic medical centers, hospitals and commercial laboratories globally.

Enterix, an Australia-based company, manufactures the InSure™ fecal immunochemical (FIT) test for screening for colorectal cancer. It has developed and plans to release early in 2008 the InSure™ Quik FIT test for point-of-care testing.

HemoCue, headquartered in Angelholm, Sweden, specializes in point-of-care testing. HemoCue is the leading global provider in point-of-care testing for hemoglobin, with a growing market share for professional glucose and microalbumin testing. The measurement of hemoglobin is important for blood donors and for patients being considered for transfusion therapy, or undergoing dialysis or chemotherapy, where instant test results can lead to immediate treatment decisions. HemoCue's handheld systems are used in physician's offices, blood banks, hospitals, diabetes clinics and public health clinics. In developing countries these systems are used as the primary means to screen for anemia. Approximately one-half of HemoCue's products are sold outside the United States. HemoCue has a strong product development pipeline, based on its pioneering use of its patented microfluidic systems.

In October 2007, HemoCue received FDA 510(k) clearance for its White Blood Cell Analyzer, a whole-blood test performed on finger-stick samples that assist physicians diagnosing infection, inflammation, bone marrow failure, autoimmune diseases and many other medical conditions now routinely tested by reference laboratories. In addition, Focus Diagnostics received FDA 510(k) clearance for its HerpeSelect® Express™ HSV-2, a test for aiding in the diagnosis of herpes simplex type-2 virus, the primary cause of genital herpes. With 510(k) clearance for marketing, physicians who operate CLIA-certified moderately complex laboratories may now use these products to quickly produce results in a single office visit. These two tests will help physicians quickly determine the presence of an infection and allow physicians to make immediate treatment decisions for their patients. We have applied for CLIA-waived status for these two products and a microalbumin test which, if granted, would permit physicians to use these products in a much larger segment of physician offices.

International. We have laboratory facilities in Mexico City, Mexico; San Juan, Puerto Rico; and Heston, England. These laboratories support our clinical trials business and clinical testing in their local markets. In addition, we have established operations in Gurgaon, India, that will support our business activities in that country. We see opportunities to bring our experience and expertise in diagnostic testing and point-of-care products to international markets, particularly developing countries where the testing markets are highly fragmented and less mature.

Healthcare Information Technology. We empower healthcare organizations and clinicians with information technology solutions that can improve patient care and medical practice. We develop differentiated products that are designed to support the creation and management of patient records, by bringing together, in one patient-centric view, information from various sources, including physician's records and laboratory and hospital data. We believe that these products enhance the value we provide to our customers and result in increased customer

loyalty by providing more convenient ordering and reporting of clinical tests and better access to patient-centric information.

We develop and integrate clinical connectivity and data management solutions for healthcare organizations, physicians and clinicians primarily through our Care360 suite of products and the ChartMaxx® electronic document management system for hospitals. The Care360 products, including our Care360 Physician Portal, enable physicians to order diagnostic tests and review test results from Quest Diagnostics online. In addition, the Care360 Physician Portal enables physicians to electronically prescribe medication, view clinical and administrative information in a patient-centric record maintained in our repository and share confidential information with medical colleagues in a HIPAA-compliant manner. Demand has been growing for our information technology solutions as physicians have expanded their usage of the Internet. By the end of 2007, approximately 125,000 physicians were using our Care360 products and, excluding our recently acquired AmeriPath business, approximately 65% of our test orders and approximately 75% of our test results were being transmitted electonically. In December 2007, approximately 140,000 e-prescribing scripts were processed through Care360.

Additionally, we have recently acquired the capabilities to deploy a health information exchange system comprised of proprietary technologies that enable healthcare providers to access and manage a range of patient data from multiple sources at the point-of-care. These capabilities will enable us to provide solutions to the many health information exchanges that are being developed.

THE UNITED STATES CLINICAL TESTING MARKET

Most clinical tests are performed by one of three types of laboratories: commercial clinical laboratories; hospital-affiliated laboratories; and physician-office laboratories. We believe that hospital-affiliated laboratories account for approximately 60% of the market, commercial clinical laboratories approximately one-third and physician-office laboratories the balance.

Key Trends. There are a number of key trends that we expect to have a significant impact on the clinical testing business in the U.S. and on our business. These trends present both opportunities and risks. We believe that the industry will continue to grow over the long term and that we are well positioned to benefit from the long-term growth expected in the industry.

Demographics. The growing and aging population is increasing the demand for clinical testing.

Increased testing. We believe that we are entering the decade of diagnostics, moving to preventative care from curative care. Physicians increasingly are relying on testing to aid in the identification of risk factors and symptoms of disease, the choice of therapeutic regimen and the evaluation of treatment results. Physicians, consumers and payers increasingly recognize the value of testing as a means to improve health and reduce the overall cost of healthcare through early detection and prevention.

Science and technology advances. Medical advancements allow for more accurate and earlier diagnosis and treatment of diseases. Continuing research and development in the area of genomics is expected to yield new, more sophisticated and specialized diagnostic tests.

Health information technologies. Demand is growing toward comprehensive care management solutions that serve patients, payers and practitioners by improving access to patient data, increasing patient participation in care management, reducing medical errors and improving clinical outcomes. There is an increasing focus on interconnectivity and desire for real time data aggregation. Electronic medical records and patient health records continue to grow.

Customer consolidation. Our customers, including health insurance plans, employers, pharmaceutical companies and other intermediaries, have been consolidating. We expect that this trend will continue. Consolidation is increasing customer bargaining power and enhancing their purchasing sophistication.

Highly competitive. The clinical testing industry remains fragmented, is highly competitive and is subject to new competition. Competition is growing from non-traditional competitors. New market entrants with extensive resources may make acquisitions or expand into our traditional areas of operations. We also are expanding into new diagnostic testing areas that are highly competitive.

Regulatory and policy environment. Government oversight of and attention to the healthcare industry in the United States is significant and may increase.

Globalization. There is a growing demand for healthcare services in emerging market countries. Opportunities are arising to participate in the restructuring or growth of the healthcare systems in these countries.