**Quest Diagnostics Incorporated**
**Conference Call Prepared comments**
**For the Quarter Ended June 30, 2012**

***Conference operator***: Welcome to the Quest Diagnostics Second Quarter 2012 conference call. At the request of the company, this call is being recorded. The entire contents of the call, including the presentation and question and answer session that will follow, are the copyrighted property of Quest Diagnostics with all rights reserved. Any redistribution, retransmission or rebroadcast of this call in any form without the express written consent of Quest Diagnostics is strictly prohibited. Now I'd like to introduce Kathleen Valentine, Director of Investor Relations for Quest Diagnostics. Go ahead, please.

***Kathleen Valentine***: Thank you and good morning. I am here with Steve Rusckowski, our president and chief executive officer, and Bob Hagemann, our chief financial officer.

During this call, we may make forward-looking statements. Actual results may differ materially from those projected. Risks and uncertainties that may affect Quest Diagnostics' future results include, but are not limited to, those described in Quest Diagnostics' 2011 Annual Report on Form 10-K, 2012 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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

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

Now, here is Steve Rusckowski.

***Steve Rusckowski***: Thanks, Kathleen. And thanks, everyone, for joining us today.

Over the past two months, I've had the opportunity to meet with many of you. For those of you I have not had the chance to meet, I wanted to spend a minute explaining why I joined Quest Diagnostics.

First, this company has an impact on healthcare. We touch patients 150 million times each year, and I believe there's opportunity to touch even more lives.

Second, this is a high-quality company in many ways. Healthcare professionals particularly have a high regard for Quest Diagnostics.

And, finally and most importantly, I believe there is significant opportunity to drive shareholder value.

Over the past two months, I have met with many of our stakeholders, including employees, customers, and investors. I have visited a number of our operations and I am rounding out my perspective of Quest Diagnostics – where the company is today and how it can grow stronger. I appreciate the feedback I have received.

I would like now to share results for the second quarter.

In our Q1 call, we cautioned that, despite our positive volume performance, the underlying market conditions remained sluggish and that it was premature to conclude that the market was recovering.

- Our caution was warranted. In the second quarter, our volume growth slowed. Sluggish market conditions continued to affect our business and we saw softness across many of our businesses.
- We also could have executed better in the quarter.
- For example, we did not see the benefits we expected from actions we've taken to drive revenue growth - in areas like women's health and the benefit from the narrowing of certain health plan networks.
- As a result, we intensified our actions to manage our costs, allowing us to deliver bottom line growth and margin expansion in the quarter and maintain our earnings outlook for the year.

Specifically, despite essentially flat revenues, we:

- increased adjusted earnings per share by 5 cents, or 4.5%;
- expanded adjusted margins by 70 basis points to 18.4%; and,
- generated $251 million of operating cash flow.

Clearly, it is imperative that we continue to be vigilant in improving productivity, reducing costs, and improving quality. We are executing a plan in this regard which we now call "Invigorate." It is expected to deliver $500 million in run-rate cost savings versus 2011 as we exit 2014. I'll share with you that we are firmly on track.

This initiative is a top priority for me.

From my first week on the job, I have been personally involved in the Invigorate initiative. I have shared with the organization that I am personally chairing this effort. I have met with the teams focused on the biggest priorities – such as lab operations, procurement, G&A, and IT, to name a few.

We will continue to meet on a regular operating rhythm. Each of these teams is required to manage their project with a structured, disciplined and rigorous program management approach. I am assuring the proper resources are appropriately deployed to these efforts. Finally, I am challenging the teams to identify additional opportunities and to accelerate the pace at which we implement the program.

An opportunity which we've already acted on was to accelerate the launch of a voluntary retirement program offered to certain qualified employees. We expect this program to deliver $40 million in annualized cost savings, a portion of which we will realize this year, with the full amount realized as we exit the first quarter of 2013.

Now as we look at the market, we continue to see weakness in the near term.

We believe that this industry will grow 4 to 5% in a normal economy, and that Quest Diagnostics should be able to grow at or above the market growth rate.

One thing that we believe will enable growth is the Affordable Care Act, which we expect will have a net positive impact on our company and the industry's growth rate, beginning in 2014.

The Act will increase covered lives, which will drive diagnostic testing volume. But, at the same time, many of the newly insured will be covered by insurance products with lower price points. And therefore, the full impact on our business is still unfolding.

In parallel with Invigorate, we have work to do to restore growth and be in a stronger position when the market recovers. Over the past two months, we have been conducting a thorough review of our businesses and operations. This effort includes an evaluation of:

- our selling and marketing efforts,
- how we prioritize our innovation investments, and
- our ability to leverage our unique assets to bring diagnostic solutions to market

We do have some good examples of what we need to replicate to grow this business. Specifically, our expanding prescription drug monitoring business, our introduction of new neurological tests at Athena, and our launch of new companion diagnostics, like the Stratify JCV test.

I look forward to sharing with you later this year the growth plan that results from this process.

Now I'd like to turn it over to Bob for detailed analysis of the numbers.

***Bob Hagemann*****:** Thanks, Steve.

Starting with revenues…

Q2 revenues of $1.9 billion reflect growth of 20 basis points over the prior year.

In the second quarter, comps were more challenging than in the first quarter. Specifically, we anniversaried the acquisitions of Athena and Celera, and did not experience the favorable weather impact we saw in the first quarter. These two factors combined contributed just over 5% growth in Q1.

Excluding the impact of acquisitions, Q2 revenues were down about half a percent from the prior year. This compares to about 1% underlying growth in Q1.

As Steve noted, market softness continued to impact our business, we didn't execute as planned, and our volume growth slowed.

Our clinical testing revenues, which account for over 90% of total revenues, grew about 1% for the quarter, all attributable to volume. Revenue per requisition was essentially unchanged from the prior year, with reimbursement pressure offset by favorable test mix and an increased number of tests per requisition. Recall that the year-over-year growth in revenue per requisition we reported in Q1 was principally due to the increased esoteric mix contributed by Athena and Celera, and we have anniversaried that benefit this quarter.

Drugs-of-abuse testing volumes have continued to rebound and grew about 5% in the quarter, in line with the growth of the last two quarters.

Q2 revenues in our non-clinical testing businesses, which include risk assessment, clinical trials testing, products, and healthcare IT, were about 5% below the prior year.

As you've heard, despite what was an essentially flat top line, we expanded earnings and margins in the quarter as a result of disciplined expense management, and beginning to realize the benefits of our Invigorate program. Adjusted EPS of $1.17 was 5 cents above the prior year, and adjusted operating income at 18.4% was 70 basis points above the prior year.

Restructuring, integration and CEO transition costs totaling about $16 million, reduced reported operating income by 80 basis points and reported EPS by 6 cents. Last year's second quarter included $20 million of acquisition-related transaction and integration costs which reduced reported operating income by a full percentage point and reported EPS by 10 cents.

Our Invigorate program continues on track to deliver roughly $100 million in run-rate savings as we exit this year. This represents about 20% of our $500 million goal, with the remainder expected in 2013 and 2014. As you heard from Steve, we are continuing to evaluate opportunities which could potentially increase our goal for the program.

As we've previously shared, common themes across most areas include standardizing systems, processes and data bases; increased use of automation and technology; and centralizing and selective outsourcing. As we noted last quarter, over the next few years, this will require some increased level of capital spending to standardize systems and upgrade IT infrastructure.

In addition, as we disclosed in last quarter's 10Q, our high level estimates of charges we expect to incur over the next several years in connection with this program are between $100 and $175 million, consisting primarily of employee separation costs, facility related closure costs, asset impairments, and systems conversion and integration costs.

As Steve mentioned in connection with the Invigorate initiative, we have offered a voluntary retirement program to certain qualifying employees. We estimate this program will contribute approximately $40 million of annualized savings once fully implemented, which we expect by the first quarter of next year. The program will allow us to reduce the size of our workforce, reduce our average wage bill, and update the skills of the workforce. In connection with the program, we expect to record charges estimated at about $50 million over the course of the next several quarters as employees leave the workforce.

An area which is already benefiting from Invigorate is billing and collections. We have consistently produced industry-leading metrics in this area, but still have room to improve. Bad debt expense as a percentage of revenues was 3.5% in the quarter, and reflects improvement from both Q1 and the prior year. DSOs were 44 days, unchanged from last quarter.

Cash from operations was $251 million in the quarter compared to $60 million in the prior year. Note, last year's cash flow was reduced by the net impact of the MediCal settlement payment.

Capital expenditures were $47 million in the quarter, compared to $40 million a year ago.

During the quarter we repurchased 882 thousand common shares at an average price of $56.70 for a total of $50 million dollars. We also repaid $112 million of outstanding debt in connection with our stated objective to de-lever by $500 – $700 million this year.

Turning to 2012 guidance:

Based upon our performance through the first half and our latest view of the market, we now expect results from continuing operations, before special items, as follows:

- Revenue to grow between 1.0% and 2.0%.
- Operating income to approximate 18% of revenues.
- Cash from operations to approximate $1.2 billion.
- Capital expenditures to approximate $200 million.
- And lastly, diluted earnings per share to be between $4.45 and $4.60.

Now I'll turn it back to Steve.

***Steve Rusckowski:*** Thanks, Bob.

In closing, we delivered earnings growth and margin expansion in the quarter, despite flat top-line growth.

We are accelerating our efforts to improve productivity, reduce costs, improve quality, and restore top-line growth.

I want to reaffirm our commitment to increasing shareholder returns and improving our ROIC. This includes our intention to return the majority of our free cash flow to investors upon achieving our targeted leverage ratio. In the near-term, we do not expect to complete any large acquisitions. However, we will continue to consider value-creating fold-in acquisitions.

We are being thoughtful and disciplined in developing our plan to restore top-line growth and improve shareholder returns, and are performing a thorough review of our businesses and operations as part of this process. I'll share with you we are moving with appropriate speed and intend to share our plan with you in the fall.

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