Quest Diagnostics Incorporated
Conference Call Prepared Comments
For the Quarter Ended March 31, 2010

Kathleen Valentine: 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. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made and which reflect management's current estimates, projections, expectations or beliefs and which involve risks and uncertainties that could cause actual results and outcomes to be materially different. Risks and uncertainties that may affect the future results of the company include, but are not limited to, adverse results from pending or future government investigations, lawsuits or private actions, the competitive environment, changes in government regulations, changing relationships with customers, payers, suppliers and strategic partners and other factors described in the Quest Diagnostics 2009 Form 10-K 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 "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 Surya Mohapatra.

Surya Mohapatra: Thank you, Kathleen.

Our business remains strong, despite being negatively impacted by severe weather and softness in the marketplace.
During the first quarter:

- Revenues were $1.8 billion;
- Earnings per share were $0.89 cents; and
- Cash from operations totaled $239 million dollars.

Our full-year EPS guidance remains unchanged, after adjusting for the first quarter charge and the impact of severe weather.

We saw continued growth in gene-based and esoteric testing, and we are taking actions to accelerate revenue growth and manage our costs.
I will review our progress after Bob discusses our financial performance. Bob?

***Bob Hagemann*:** Thanks, Surya.
During the quarter, we saw a slowing in our growth, due to severe weather, softness in the marketplace and reduced reimbursement from Medicare. Despite these challenges, our business remains strong, has continued to grow underlying earnings and generated strong cash flow.

Earnings per share from continuing operations were 89 cents, equal to the prior year. The earnings comparison is impacted by a 6 cent charge recorded in the quarter associated with workforce reductions, and 5 cents associated with the estimated impact of severe weather across much of the country.

Revenues for the quarter were $1.8 billion, in line with the prior year. Revenue growth was reduced by an estimated 1% due to the impact of severe weather. Our clinical testing revenues, which account for over 90% of our total revenues, were within half a percent of the prior year, and grew about 1% adjusted for the impact of weather.

Reported volume was 2.6% below the prior year level and reflects an estimated 1% reduction due to weather. Drug testing volumes have stabilized, and are no longer impacting revenue and volume comparisons.

Overall, volumes are being pressured by a general slowdown in physician office visits. We are aggressively addressing this challenge. We have increased our focus on effective sales execution, and are expanding the capabilities of our sales force. In addition, we are adjusting our cost structure to match volume levels.

Revenue per requisition increased 2.3%, with the increase continuing to be primarily driven by a positive mix, partially offset by the 1.9% Medicare fee decrease which went into effect January 1, and served to reduce revenue per requisition by about half a percent.

Revenue in our non-clinical testing businesses, which includes risk assessment, clinical trials testing, point of care testing and healthcare IT, and contain most of our international revenues, grew 3% in the quarter, principally due to favorable foreign exchange.

Operating income as a percentage of revenues was 16.5%, compared to 17.8% last year. The charge recorded in the quarter and the impact of weather combined to reduce the year-over-year change in operating income as a percentage of revenues by 1.6%.

We continued to see strong performance in our billing and collection metrics. Bad debt expense as a percentage of revenues was 4.2% compared to 4.5% a year ago. DSOs at 41 days improved 2 days from both year end and a year ago.

Our cash flow continued to be strong. Cash flow from operations was $239 million, and compares to $273 million in last year's first quarter. The decrease is principally due to the timing of annual incentive payments.

Capital expenditures were $40 million.

During the quarter we repurchased 4.5 million shares at an average price of $56.21, for a total of $251 million, under the Accelerated Share Repurchase we announced in January.

Our cash balance, coupled with our unused credit lines, provides us with significant liquidity, and positions us extremely well to capitalize on growth opportunities; and take other actions, like share repurchases, to drive shareholder value.

Now let's turn to our full-year outlook from continuing operations:

- We now expect revenue growth of between 1% and 2%.

- We expect operating income, which now reflects the first quarter charge and weather impact, to approximate 18.5% as a percentage of revenues.
- We continue to expect cash from operations to approximate $1.3 billion and capital expenditures to approximate $200 million.
- And lastly, diluted earnings per share are expected to be between $4.00 and $4.20 on a reported basis and between $4.10 and $4.30, adjusted for the impact of charges and weather in the first quarter.

We are taking actions to accelerate our growth and we expect they will lead to improvement as the year progresses. And, we continue to be very excited about the prospects for our business.

Now I'll turn it back to Surya.

Surya Mohapatra: Thanks, Bob.

During the quarter we saw positive growth from innovative tests, such as Vitamin D and Immunocap allergy testing.

Our esoteric laboratories saw stronger growth than our routine testing.

Additionally, over the course of recent months, we have extended a number of contracts with health plans, increasing visibility to our performance.

In this environment, it is important to increase our sales effectiveness and have a higher level of customer engagement. We are putting plans in place to achieve that by upgrading our sales talent and adding reps in some markets.

We continue to pursue our strategy of driving differentiation through innovative tests and services that create competitive advantage and will drive future growth.

- In March, we and Vermillion launched OVA1, the first blood test cleared by the FDA for pre-surgical evaluation of an ovarian mass for cancer. The response has been very positive. We are pleased that Medicare is covering this test.
- AccuType CP is our new blood and saliva test which helps to assess a patient's response to the anti-clotting drug Plavix. We have seen an increase in interest from physicians and patients in this important test.

We continue to expand usage of our connectivity solutions.

- By the end of the first quarter, Care360 ePrescribing users ordered at a rate of more than 16 million drugs a year, up about 30% from year end.
- We formally launched our Care360 EHR solution, which lets physicians adopt connectivity features like electronic ordering and prescribing at their own pace without incurring large capital costs or changing their office workflow. We are seeing a positive response.
- In addition, we are collaborating with Surescripts to make lab results and prescription history more accessible to physicians.

During the quarter, healthcare reform legislation was passed.

- The new law will provide coverage for more Americans, especially children, and requires coverage of prevention and wellness benefits without any cost-sharing.
- Beginning in 2011, we will see a reduction in Medicare reimbursement.

- On balance we believe health reform will be positive for our company and our industry over the long term.

In closing:

- Our underlying business is strong.
- We are implementing plans to accelerate growth and further manage our costs.
- We are well positioned for the future.

Thank you. We will now take your questions. Operator?