Quest Diagnostics Incorporated
Conference Call Prepared comments
For the Quarter Ended September 30, 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, 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 Surya Mohapatra.

Surya Mohapatra: Thank you, Kathleen.

We grew earnings in the third quarter despite continued softness in physician office visits. While revenue was down, we are confident in the future and are making progress executing our plans to accelerate profitable growth -- by promoting new gene-based and esoteric tests, enhancing sales effectiveness, and improving operational efficiency.

During the quarter:

- Earnings per share increased 11% to $1.13;
- Revenues decreased 1.7% to $1.9 billion;
- Cash flow was $330 million.

We are committed to using our substantial cash flow to generate value for our shareholders through both acquisitions and share repurchases. So far this year, we have returned $750 million to our shareholders through share repurchases, and now have flexibility to make $250 million of additional repurchases in the fourth quarter.

We continue to focus on sales, service and science to drive organic growth, and believe we are doing the right things to strengthen our foundation for revenue growth, increased profitability and enhanced shareholder value.

- We continue to promote new genetic and esoteric tests and healthcare IT services;
- We continue to upgrade our sales organization and enhance their capabilities;
- We are working closely with health plans and employers to gain a larger share of their business by reducing their high-cost, out-of-network "leakage";
- We are taking actions to make our business more efficient; and
- We are putting our substantial cash flow to work to drive shareholder value.

I will update you on our progress after Bob discusses the financial results.
Bob?

Bob Hagemann**:** Thanks, Surya.

Revenues for the quarter were $1.9 billion, 1.7% below the prior year. Our clinical testing revenues, which account for over 90% of our total revenues, were also 1.7% below the prior year.

Revenue per requisition was 1.3% below the prior year, and essentially unchanged from the second quarter. While year-over-year revenue per requisition continues to benefit from an increased mix of gene-based and esoteric testing and increases in the number of tests ordered per requisition, this benefit has been offset by some business and payer mix changes, the Medicare fee decrease, and pricing changes in connection with several large contract extensions executed last year and earlier this year. The business and payer mix changes, which continue to pressure revenue/requisition, include a further rebound in lower priced drugs-of-abuse testing, and weakness in our higher priced anatomic pathology testing.

We expect changes in revenue per requisition will continue to be modest through the first half of next year, with the anniversary of the business mix, payer mix and contract changes, which are currently offsetting the growth of gene-based and esoteric testing.

Volume in the third quarter was .3% below the prior year, and continues to be pressured by the general slowdown in physician office visits. However, the third quarter volume reflects some improvement from the first and second quarters of the year, which were below the prior year by 2.6% in Q1 (1.6% below adjusted for weather), and 1.3% in Q2.

Drugs-of-abuse testing has continued to rebound and grew 7.5% in the quarter, and contributed modestly to the improved volume trend.

Revenue in our non-clinical testing businesses, which includes risk assessment, clinical trials testing, point of care testing and healthcare IT, was about 2% below the prior year level, principally due to performance in our risk assessment business.

Operating income as a percentage of revenues was 18.1%, compared to 18.4% in the prior year.

We continue to make progress in managing our cost structure and driving quality improvements. We are currently evaluating a number of new opportunities to further improve our efficiency and service quality which we believe will further streamline our cost structure. This will not only support margins during this period of market softness, but also will allow us to disproportionately take advantage of a market rebound.

We continued to see strong performance in our billing and collection metrics. Bad debt expense as a percentage of revenues was 4% in the quarter compared to 4.4 % a year ago. DSOs at 43 days are unchanged from the beginning of the year.

Earnings per share were $1.13 in the quarter, an 11% increase from the prior year. EPS benefited by $.08 in the quarter as a result of a reduced tax rate, which was primarily due to the favorable resolution of certain tax contingencies.

Cash from operations was $330 million, and compares to $374 million in last year's third quarter, the difference primarily due to the timing of interest and tax payments.

Capital expenditures were $47 million in the quarter, compared to $41 million a year ago.

During the quarter we repurchased 7 million shares at an average price of $46.64, for a total of $324 million. We have now fully utilized the $750 million share repurchase authorization granted in January of this year.

Earlier today, we announced that our Board has authorized an additional $250 million of share repurchases to provide us with continued flexibility to deploy our cash through the fourth quarter. This incremental repurchase authorization is intended to bridge us until we complete our planning for 2011, and should not necessarily be viewed as the planned repurchase level for Q4. The level of share repurchases in any given quarter will continue to be a function of a number of factors, most notably expected acquisition activity. We plan to evaluate what level of authorization will be appropriate beyond the end of this year as part of our annual operating and capital plans, and expect to share that with you in January, as we have done historically.

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

Turning to full year guidance, we now expect results from continuing operations, before special items, as follows:

- Revenue to be approximately 1.5% below the prior year.
- Operating income to be between 17.5% and 18% of revenues.
- Cash from operations to approximate $1.1 billion.
- Capital expenditures to approximate $200 million.
- And lastly, diluted earnings per share to be between $3.95 and $4.00.

As you'll hear more about from Surya, we continue to focus our efforts on accelerating growth, including exploring both strategic and opportunistic acquisitions. In addition, as

I mentioned earlier, we are continuing to drive efficiency in our operations, which, together with improved top line performance, we expect will accelerate earnings growth.

Now I'll turn it back to Surya.

Surya Mohapatra: Thanks, Bob.

Our updated guidance reflects the fact that, while we are seeing progress, some of the actions we have been taking to accelerate growth are taking longer to produce results than we expected. None of us are satisfied.

However, we are seeing encouraging signs, and I want to provide you with an update on the progress we are making on some of the initiatives we shared with you earlier this year.

- We are investing in our sales organization. We are hiring and providing ongoing training to people who, over time, will serve as trusted consultants to doctors and other customers to meet their diagnostic testing needs.
    - Over the past several quarters we have continued to add new talent to our sales force – overall and in key specialty areas and geographies. So far this year we have upgraded the overall sales force and added about 100 new positions.
    - To make them effective sooner, we have enhanced our training programs in various subspecialty areas, including oncology and genetic testing, and we are giving them advanced tools to better target sales leads.

- As we shared with you last quarter, we have been working with health plans and have extended some of our health plan contracts, to give us visibility and pricing stability. This has enabled us to turn our focus to working closely with health plans and their employer clients to reduce high cost and out-of-network lab spending, known as "leakage."
    - Health plans and large employers are considering changes in plan design that both drive business to us as a preferred provider, and reduce lab costs for the health plans, employers and their employees.
    - I am pleased that some health plans have also made reimbursement policy changes to address overutilization caused by in-sourcing of certain kinds of anatomic pathology.

- We continue to promote new esoteric and gene-based tests that help physicians personalize care.
    - During the quarter, esoteric and gene-based testing grew about 4%, driven largely by sales to hospitals and physician specialists.
    - We continue to see strong double-digit revenue growth from Vitamin D testing, which uses a tandem mass spectrometry platform – the gold standard in our industry.

  - We have also driven double-digit revenue growth in ImmunoCAP allergy testing as well as testing for blood cancers, particularly our Leumeta family of blood tests.
  - And we are pleased by the increase we are seeing in the adoption of our OVA1 test for ovarian cancer.

- Service delivery is an important competitive differentiator, and we have enhanced our service levels in several ways.
  - We have added personnel such as phlebotomists and service reps and are opening new patient service centers to offer convenience to patients.
  - And we are significantly reducing the time it takes to connect new clients to our Care360 connectivity solutions.

- Healthcare IT is a strategic differentiator for us, and Care360 is its centerpiece. Care360 is not just a customer service – it's how we run our business. We depend on it every day, so it has met the test of time.
  - This month we passed a major milestone of 40 BILLION test results processed and transmitted via Care360 since it was launched six years ago.
  - We are pleased that the American Medical Association selected our Care360 EHR as one of the few EHR solutions that can be accessed from their portal.
  - And, we have partnered with Hewlett-Packard to provide an integrated system to physician practices to accelerate the adoption of Care360 EHR.
  - Since we introduced the Care360 Electronic Health Record earlier this year, more than 1,000 doctors are using it.

We generate strong cash flow. We are committed to deploying our cash to drive growth. Our preference is to invest in acquisitions, primarily in genetics, esoteric testing and cancer diagnostics, including anatomic pathology. We are active in evaluating potential acquisitions that make economic and strategic sense.

When acquisitions are not available on reasonable terms, we will return cash to shareholders through share repurchases and dividends.

- In closing: We are making tangible progress on a number of important initiatives.
- The long term trends for our business continue to be positive.
- And, as the industry leader, we are well positioned to take advantage of these trends.

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