



**QUIDEL Triage BNP Supply Agreement
CONFERENCE CALL SCRIPT
Monday, December 10, 2018
5:30 a.m. PT/ 8:30 a.m. ET**

FINAL (V3)

OPERATOR:

Ladies and gentlemen, thank you for standing by.

Welcome to the Quidel Corporation conference call. At this time all participants are in a listen-only mode. Later, instructions will be given for the question-and-answer session. If anyone has difficulty hearing the conference, please press *0 for operator assistance.

I'd now like to turn the call over to Mr. Ruben Argueta, Quidel's Director of Investor Relations. Please go ahead.

Ruben Argueta

Thank you, Operator. Good morning everyone -- and thank you for joining today's call. With me today is our president and chief executive officer, Doug Bryant and Randy Steward, our Chief Financial Officer.

Please note that this conference call will include forward-looking statements within the meaning of federal securities laws, which are based on assumptions, expectations and information currently available to management. By their nature, forward-looking statements are subject to inherent risks and uncertainties, which gives rise to the possibility that actual results could differ significantly from these stated expectations. Differences in actual results may arise as a result of a number of events or other factors including those discussed in Quidel's annual report on Form 10-K and subsequent quarterly reports on Form 10-Q as filed with the SEC, including the information set forth under the headings "Risk Factors" and "Litigation and Other Legal Proceedings."

Furthermore, this conference call contains time-sensitive information that only reflects information available as of the date of this live

broadcast, December 10, 2018. Quidel undertakes no obligation to revise or update any statements to reflect events or circumstances after the date of this conference call, except as required by law. I'll now hand the call over to Doug.

Doug Bryant

On Friday, the Judge in the Superior Court of California in San Diego handling the lawsuit filed against Quidel by Beckman Coulter, a wholly owned subsidiary of Danaher, stated that he intends to enter an order granting Beckman's motion for summary adjudication relating to the Triage BNP development, manufacture and supply agreement, which we will refer to throughout this call as the Triage BNP Supply Agreement, between Quidel and Beckman. The Judge stated that he intends to rule that a provision of that agreement restricting Beckman from manufacturing or selling another BNP or NT-proBNP assay, is void as a matter of law. If the judge rules as he indicated, and if the appellate court affirms the decision, we believe that the logic of the decision means that exclusive dealing business arrangements between companies in California, generally, are not lawful. If the judge rules as he indicated, and if the appellate court affirms the decision.

At this time, the Court order has not been entered, but we expect it to be entered today. To be clear, the Judge's tentative ruling does not affect the rest of the agreement. Beckman is still obligated to work with Quidel to manufacture the Triage BNP kit that Quidel sells to Beckman's immunoassay customers. We issued a press release on Friday because we thought it prudent to ensure that the information in the Judge's tentative ruling was shared promptly with all our shareholders. We are hosting the call today to give you an update on where we stand with this matter, what we expect moving forward, and to provide further clarity and color on the matter.

First, I think a brief overview of the Triage BNP supply agreement itself, and the intent of the original parties, Beckman and Biosite, is a useful place to start. When the Triage BNP supply agreement was negotiated, Beckman was highly motivated to gain access to BNP, which was, in their view, a significant gap in the menu of assays that could be run on their immunoassay analyzers. The addition of this important cardiovascular biomarker, they believed, would improve the competitiveness of their immunoassay analyzers, would help to increase their placements of these analyzers, and would, more importantly, help to grow overall immunoassay revenues and profits for

the company. And in-fact they were right. The Triage BNP assay, kitted for use on Beckman immunoassay analyzers, and sold by Biosite, Alere and now Quidel to Beckman's customers around the globe has proven to be the gatekeeper assay that they had hoped it would be. For 15 years, Beckman has benefited from access to the Triage BNP assay, it continues to do so today, and will in the future through the terms of the Triage BNP supply agreement. At question on Friday was whether the non-compete or exclusive dealing provision in the supply agreement, which I will refer to in this call as the exclusive dealing provision between two California headquartered corporations was enforceable under California law. I'll provide more later on this issue, but let me simply wrap up this overview by saying two things. One, exclusivity provisions in development agreements, supply agreements, and many other business-to-business arrangements are very common. Two, the Biosite executives who negotiated the Triage BNP supply agreement have gone on record stating that the exclusivity provision was integral to the agreement, and without it, there would not have been a Triage BNP supply agreement, Beckman would not have had access to Triage BNP, and would not have enjoyed the revenue and profits that they have over the last 15 years, a reasonable person might conclude.

Second, I want to remind everyone that well before finalizing the purchase agreement to acquire the Triage MeterPro and Triage BNP assets from Alere as part of Abbott's divestiture of those assets, we looked at this matter very closely. Letters from Danaher to Alere claiming that the Triage BNP supply agreement was unenforceable were in the data room, and we read the documents. The threat of a lawsuit was clear. We reviewed the Triage BNP supply agreement in great detail with experienced outside counsel, and reviewed their findings and every outcome and permutation with our board of directors, a board comprised of members with significant experience and depth of knowledge in our industry. Our conclusion then was that the Triage BNP supply agreement was lawful and enforceable at the time Biosite entered into the agreement, was throughout the time that Alere owned the assets, and continues to be today. We concluded that Danaher's claims, as stated in their threatening letters, were without merit.

Third, to the reason we're having this call. While we're surprised at the judge's ruling on the exclusivity provision of the Triage BNP supply agreement, which we will discuss further, we remain now as convinced and as confident as we were before we acquired this asset that the Triage BNP supply agreement, under which we sell and supply our

Triage BNP product to many of Beckman's immunoassay customers, is lawful and enforceable, and will be determined to be so at trial.

Next, let's talk about what happens moving forward. Quidel is disappointed by the intended order and, assuming it is issued, intends to file a motion this week with the Court requesting that it delay the order's effect while we ask the Fourth District Court of Appeal to review the order. We also intend to file a writ with the Court of Appeal requesting it review the trial court's ruling, and issue a stay of the order until the appeal process is completed, if a stay is not granted by the trial court. If a stay of the Court's order is issued, whether issued by the trial court or the Court of Appeal, the subject provision of the Triage BNP supply agreement that excludes Beckman from manufacturing and selling a substitute for the Triage BNP assay on Beckman's instrument, would remain in effect. If the Court of Appeal grants Quidel's writ, we expect that the appellate review process may take approximately twelve months to complete. If the writ is denied by the Court of Appeal, Quidel still has the right to, and intends to appeal the trial court's order after judgment is entered on the remaining claims. We will have our day before the court of appeal, the only question is timing. In effect, we have multiple shots on goal.

To provide some context as to why we believe we will prevail on this matter, we believe exclusive dealing provisions, such as the one in the Triage BNP supply agreement, are broadly used by companies across many industries to protect their legitimate business interests in their on-going business dealings. Such provisions are very different from a non-compete that prohibits a former employee from competing with his former employer, which is what was considered by the California Supreme Court in the Edward's decision that Beckman relied upon. If exclusive dealing provisions were deemed unlawful without regard to context, the exclusive business dealings between companies seeking to protect their investments in research, development, intellectual property, market development and commercialization would be undermined and without the protections afforded by standard contract terms. We would imagine that such a decision would call into question companies seeking to do business under California law.

The types of arrangements that would be put at risk would range across industries and business arrangements. If exclusive provisions were unlawful without regard to context, many types of commonly used agreements would be at risk. Chevron could not prohibit its franchisee

gas stations from selling Shell products, fast food chains obligated to sell Coca-cola products exclusively could sell Pepsi, Nike-sponsored sports teams could allow their players to wear Adidas products, and so forth. Further in an industry like ours, we believe exclusivity provisions similar to ours are used to protect legitimate business interests in a number of contexts ranging from supply and development agreements, to exclusive distribution and commercialization arrangements, and many others. Where certain business arrangements would only make economic sense on an exclusive basis, those arrangements would likely be destroyed or cause one or multiple parties to a transaction to lose the material and intended benefit of the agreement. We believe that these interests are not the ones the *Edwards* decision sought to invalidate, and that such an application would have a chilling effect across industries in California. It is this sort of rationale that gives us the continued confidence that we will prevail on appeal, and on the remainder of the case when decided on the merits.

To summarize, despite the Court's decision on the exclusivity provision in the Triage BNP supply agreement, our overall view of the litigation remains unaltered, and we continue to believe that Beckman's position

is without merit and in stark opposition to Beckman's long-standing strategy over the last 15 years of honoring the Triage BNP supply agreement with its prior partners. As I indicated earlier, the Court's intended ruling does not change our view that the exclusivity provisions of the Triage BNP supply agreement with Beckman are lawful, and we believe Quidel will ultimately prevail on the merits against each of Danaher/Beckman's claims in the lawsuit.

The Court's intended ruling only addressed the provision of the agreement restricting Beckman from manufacturing or selling another BNP or NT-proBNP assay, and the remainder of the BNP supply agreement remains unaffected. We believe Beckman will continue to work with Quidel to manufacture the Triage BNP kit that Quidel sells to its immunoassay customers, and certainly it would be our intent to honor the agreement and sell those kits to Beckman's immunoassay customers. Operator, we are now ready for your questions.

Q&A

OPERATOR

Ladies and gentlemen, we thank you for your participation, and ask that you please disconnect your lines. Goodbye.