QUIDEL®
CORPORATION

RESEARCH TO RAPIDS™




2004 **Annual Report**

We are preparing for a healthcare future that is driven by patients dramatically benefiting from pre-symptomatic screening for "silent killers" such as ovarian cancer. We are preparing for a healthcare future that delivers rapid testing at the point of care which is economically justified and payer mandated. And finally, we are preparing for a healthcare future that values information and connectivity... an electronic medical record which includes testing results shared real time with patients, providers and payers. All of these futures are encompassed in what we refer to as Research to Rapids™.

This Annual Report contains forward-looking statements within the meaning of federal securities laws that involve material risks and uncertainties. Many possible events or factors could affect Quidel's future financial results and performance, such that its actual results and performance may differ materially. As such, no forward-looking statement can be guaranteed. Differences in operating results may arise as a result of a number of factors, including, without limitation, intellectual property, product liability, environmental and other litigation, required patent license fee payments not currently reflected in our costs, seasonality, the length and severity of cold and flu seasons, adverse changes in the competitive and economic conditions in domestic and international markets, actions of our major distributors, manufacturing and production delays or difficulties, adverse actions or delays in product reviews by the U.S. Food and Drug Administration and the lower acceptance of our new products than forecast. Forward-looking statements typically are identified by the use of terms such as "may," "will," "should," "might," "expect," "anticipate," "estimate" and similar words, although some forward-looking statements are expressed differently. All of the risks described in reports and registration statements that we file with the Securities and Exchange Commission from time to time should be carefully considered. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this Annual Report. We undertake no obligation to publicly release the results of any revision of the forward-looking statements to reflect the occurrence of unanticipated or subsequent events.

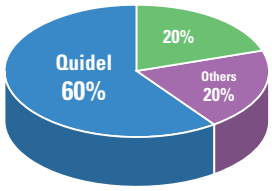
To Our Stockholders

It has been a pleasure and an honor to serve as chief executive of Quidel since coming on board in August 2004. Our Company has tremendous purpose and is poised to achieve strong, sustainable and consistent financial performance. As a major player in rapid diagnostic testing, Quidel is well positioned to assume a leadership role in the upcoming revolution to personalized healthcare:

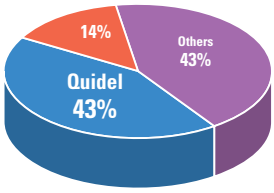
- **Predictive Screening** – Tests for indicating genetic links to disease.
- **Diagnostic Testing** – Tests to assist in accurately targeting diagnosis.
- **Prognosis Testing** – Tests that identify predisposition to disease.
- **Monitoring Therapy** – Tests that assist in patient therapy.

In vitro diagnostics is a $24 billion worldwide market today with double-digit growth estimated to continue indefinitely as advancements in rapid testing and near-patient testing continue to surge ahead. I have been fortunate to be at the forefront in "revolutions" before in my healthcare career with the medical products transition from "reusables to disposables", the advancement to digital imaging from x-ray film, and the decade long march from paper and film to paperless and filmless electronic medical records which is currently underway. In each of these transformations, the one constant was the need for market leadership to pave the way and PROVE the value inherent in that transformation. Our Company is in just such a position and is presently preparing to capitalize on its strong brand and the extraordinary trust the Company has earned in its market leading positions in infectious disease and reproductive health.

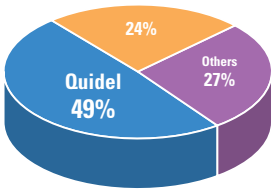
Upon arriving at Quidel, I was immediately impressed with the dedication and resolve of our employees. Throughout its history, Quidel has had periods of strong performance followed by periods of disappointing results. The Board of Directors unanimously agreed that the Quidel team needed to validate core competencies, assess the current market as well as future trending, and develop an "immediate needs" technology assessment as well as a broader and longer term strategic assessment and plan.



QuickVue® Influenza tests outsell the nearest competitor 3 to 1.



QuickVue® Strep A tests outsell the nearest competitor 3 to 1.



QuickVue® hCG tests outsell the nearest competitor 2 to 1.

Core Competencies Assessment

It became clear quite quickly that the core competencies necessary to have attained a three-fold advantage over the nearest competitors in flu and strep testing were strong and enduring building blocks for future development. One of the first opportunities we capitalized upon with great speed and efficacy was the influenza vaccine shortage announced in early October. Our "flu war room" went into effect immediately and we determined that as market leader we had to amass all of our capabilities to assure that flu testing was a primary defense in physicians offices, emergency rooms and urgent care centers throughout the country. With a rapid result in less than 10 minutes, patients who were seen within 48 hours of the onset of symptoms, and found to have contracted the flu virus, could be prescribed the appropriate antiviral medication to lessen the severity and the duration of the flu and perhaps reduce morbidity. With flu test production capacity several times that of our nearest competitor, strong relationships with the leading physician office and acute care distributors and a patient and physician outreach campaign including national advertising and our website, flutest.com… we moved aggressively and secured an additional 11 points of market share in the U.S. professional market for rapid flu tests. This Company can execute and is clearly best in class. Further evidence of the power of our quality and brand is highlighted in this Annual Report under the sections entitled, "Why Rapid Diagnostic Testing?" and "Why Quidel?".

Market Assessment and Future Trending

Numerous studies concerning worldwide trending in diagnostic testing are published to validate total available markets by disease state. We undertook a complete and thorough analysis of these studies as well as published clinical research, best industry practices by market leaders and trends in other disciplines of healthcare. We implemented a "voice of the customer" philosophy to validate or invalidate whatever data we unearthed. Merging our core competencies with total available market and validated trending analysis, we determined that we had tremendous advantage and opportunity currently or attainable in the following disease states:

- **Infectious Diseases**
- **Reproductive Health**
- **Bone Health**
- **Oncology**

We have endeavored to share in this Annual Report, our plans to become the absolute, undisputed leader in delivering rapid diagnostic solutions at the point of care (POC). We will focus exclusively on the above disease states and assure that we have diagnostic solutions which meet the criteria necessary to achieve clinical and economic market leadership.

Technology Assessment – Rapid Point-of-Care Testing

We have a strong team of scientists and developers at Quidel. We hired Tom Foley, Ph.D. in November to lead this group and embark upon an assessment of our capabilities, deliverables and timeframe to achievement. I am pleased to report that this newly energized team under Tom's leadership has built a very aggressive, yet we believe, attainable plan. The research and development programs now underway are aimed at focusing the technical skills and expertise of our scientists in disciplines of immunoassay, enzymology, biochemistry and microbiology. We have successfully used the layered thin film (LTF™) platform to develop a second-generation pH and amines test to aid in the diagnosis of bacterial vaginosis – a condition that currently accounts for 10 million office visits annually. This test involves simple chemical indicators that produce a visual color reaction. We are working on a more sophisticated application of the LTF™ technology that makes use of the specificity inherent in antibodies for the detection of a variety of analytes of clinical interest including infectious diseases and hormones. Along with LTF™, we are currently working on a number of technology platforms and assay configurations that are aimed at allowing us to make the most appropriate match of assay format to customer requirements in terms of sensitivity, accuracy, specificity, cost effectiveness, ease of use, and choice of qualitative or quantitative testing format by disease state.

Longer Term Strategic Direction and Promise – Research to Rapids™

On the cover of this report, we introduce the concept of Research to Rapids™. This trademark signifies our intent to bracket our focus disease states with predictive, diagnostic, prognostic and monitoring therapy testing. We have created the Quidel Specialty Products Group (SPG) to take advantage of current core competencies in the identification, development, marketing and sale of our novel diagnostic and research markers for oncology, bone health and related inflammatory disease. We believe key products developed and marketed by the SPG can deliver high-value point-of-care assays in broader diagnostic markets. Such targets include point-of-care (POC) opportunities in osteoporosis and oncology which are highlighted in the "Research and Promise" section of this Annual Report. We are especially enthusiastic at the promise of YKL-40 which is being investigated as a diagnostic and prognostic marker in certain tumor types, including colorectal and ovarian cancers. We are preparing for a healthcare future that is driven by patients dramatically benefiting from pre-symptomatic screening for "silent killers" such as ovarian cancer. We are preparing for a healthcare future that delivers rapid testing at the point of care which is economically justified and payer mandated. And finally, we are preparing for a healthcare future that values information and connectivity… an electronic medical record which includes testing results shared real time with patients, providers and payers. All of these futures are encompassed in what we refer to as Research to Rapids™.

2004 Financial Performance and Discontinued Operations

While our full-year financial performance in 2004 lagged 2003 results, trends during the fourth quarter, were extremely promising. In comparing the two years, it is important to remember that the 2003-2004 flu season began early, peaked dramatically in the fourth quarter and then dropped off completely during the middle of the first quarter of 2004. This pattern was not consistent with prior flu seasons, which traditionally peak during the first quarter, making the season-to-season comparison difficult. Besides significantly advancing our flu market share to 60%, we successfully closed out 2004 by outselling our nearest competitor in Strep A testing by three-to-one and outselling our nearest hCG test competitor by two-to-one. We were dissatisfied with our financial performance, nonetheless, which included revenue falling to $78.7 million compared with $92.5 million in 2003. Earnings from continuing operations were $1.6 million, or $0.05 per diluted share, compared with $21.3 million, or $0.70 per diluted share, for 2003. Cash and cash equivalents as of December 31, 2004 of $36.3 million were up solidly from $25.6 million as of December 31, 2003. The financial results for 2004 also include costs associated with the discontinuance of our urinalysis and ultrasonometer businesses. These businesses did not survive the core competency assessment we undertook nor did they provide the return on investment required to remain in our portfolio. Our form 10-K is included with this report for a complete review of our financial results.

In closing, the Board of Directors and employees of Quidel appreciate the support of our stockholders. We owe you the promise of financial performance achievement which delights you and significantly enhances your investment. We take our commitment to you very seriously and assure you that we are committed to excellence and stellar performance. We are a passionate team on a mission with a noble purpose. Research to Rapids™ will deliver for you and for people around the globe with tests that predict, diagnose and monitor life-saving therapy.

Sincerely,

Caren L. Mason
President and Chief Executive Officer
March 2005

Our mandate is that all future POC tests must demonstrate:

- **Improved medical management that positively affects patient health outcomes**
- **Simplicity of use**
- **Shorter post-analysis, or rapid turnaround allowing for quicker and more immediate treatment**
- **Quantifiable return on investment**
- **Better resource utilization**

PROVIDING DISEASE STATE MANAGEMENT IN TARGETED AREAS OF CLINICAL FOCUS ALLOWS QUIDEL TO PROVIDE SOLUTIONS THAT ADDRESS THE FULL SPECTRUM OF CARE IN THE MARKETS OF INFECTIOUS DISEASES, REPRODUCTIVE HEALTH, BONE HEALTH AND ONCOLOGY.

Why Rapid Diagnostic Testing?

Predict

Diagnose

Monitor

We provide easy to use, rapid diagnostic solutions, on a worldwide basis. Our rapid tests are used to more effectively triage patients in acute care facilities and physicians office labs so that patients can be directed to the appropriate antiviral or antibiotic therapy, be admitted to the hospital or be sent for additional tests. Published studies prove that rapid tests can help in-patient management and minimize costs of complicated lab tests or procedures. For instance, a typical work up of febrile infants admitted to an emergency room can include charges of up to $1500. When a rapid diagnostic for flu is used as a first line of defense and validates the diagnosis of flu, it can significantly reduce costs to both the hospital and patient while also improving outcomes. Measuring the decrease in expensive tests, time to discharge, the decrease in the inappropriate use of antibiotics, and the increase in the use of specific antivirals definitively validates the use of rapid testing.

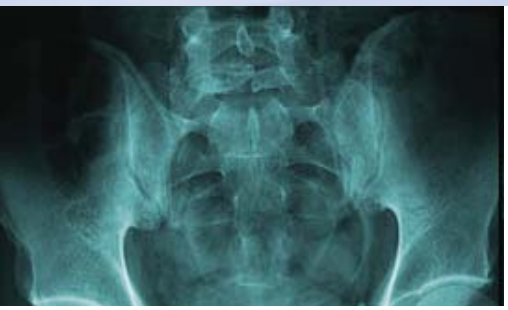
Decentralized testing outside the main hospital and clinical lab will continue to expand and decisions will continue to be influenced by financial pressures, new technologies, and an aging population. The widespread concern for pandemic planning for influenza and other emerging pathogens in infectious disease also is influencing adoption of easy to use, rapid diagnostic tests. We work with public health agencies worldwide to better understand the use of the QuickVue® Influenza test in pandemic planning and how the test can assist in the identification of new strains, such as the avian flu. It will be increasingly important to quickly identify and isolate patients to control infections in both pediatric and adult populations. In fact, the decision to focus on the development of new tests in infectious disease was guided by the tremendous growth projected in the category - 17% annually through 2009.

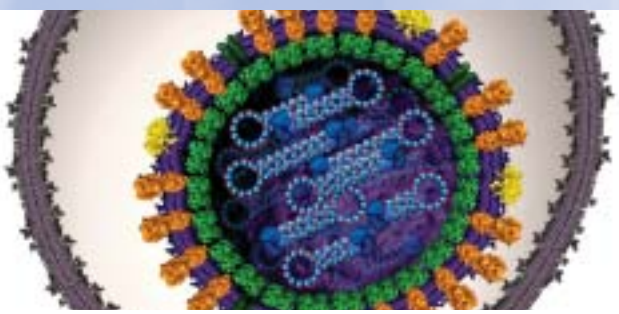
According to Healthcare Products Information Services (HPIS) data for 2004, our share of the influenza testing market grew 11 points to 60%, and included a seven point increase in the physician's office laboratory (POL) segment to 90%, as well as a 90% share in the urgent care, treatment center and emergency room setting. Additionally, Quidel earned a 17% market share in the acute care segment thanks in part to the newly introduced QuickVue® Influenza A+B test which aids in the differential diagnosis of acute influenza type A and B.

In an increasingly competitive market, Quidel's share in rapid strep A testing held steady at 43%, the same leading position we garnered in 2003. Clearly, the QuickVue® Strep A products play a leadership role in our portfolio of infectious disease testing.

Quidel remains committed to reproductive health and enjoys strong and consistent brand leadership in hCG. The 49% share in the U.S. professional market reported in 2004 is largely due to the strong brand perception awarded the QuickVue® products. This is especially remarkable in a segment that includes as many as 30 competitors. The tests on the research horizon that focus on reproductive health are expected to expand our portfolio of products and include exploration of new tests in cancer and osteoporosis.

Quidel's tests provide quick and accurate diagnosis so that practioners can commence appropriate treatment immediately, at the point of care, not days or hours later.





IN 2004, QUIDEL CONTINUED TO STRENGTHEN ITS BRAND THROUGH A NUMBER OF INITIATIVES DESIGNED TO RAISE AWARENESS AMONG HEALTH PRACTITIONERS AND CONSUMERS ABOUT THE VALUE OF EARLY TESTING.

Why Quidel?

We have instituted an assurance protocol that all new developments are built upon the "Quidel Value Build" or QVB™ platform. QVB™ includes proof to clinicians that point-of-care (POC) tests demonstrate improved patient outcomes, through faster time to results, more immediate treatment, increased turn around time, better utilization and a quantifiable return on investment. Alliances with key opinion leaders in premier teaching institutions and the presentation of clinical studies presented at scientific meetings are expanding the educational efforts and adoption rates of the QuickVue® brands.

All these factors are expected to drive further adoption of rapid-diagnostic testing. As the market leader we have more experience and proof data on how rapid-diagnostic tests can improve patient care and lower overall costs. Our mission is to provide clinical proof of efficacy as well as a superior economic return on investment. The #1 QuickVue® brands have the most to gain in driving this principle to our end users each and every day.

In a brand equity study of more than 480 clinicians and lab technicians who use rapid diagnostics, QuickVue® brand perception ranked highest of all competitors. For brand recognition, QuickVue® was listed as the top brand more times than all other brands combined. In terms of value and performance, the QuickVue® Influenza and Strep A tests rank #1 among all competitors in overall performance and customer service. The brand consistently outranks major competitors in the important categories of **accuracy**, **ease of use**, **quality** and **reliability**.

Educating consumers through new and inventive communication outreach programs has also driven adoption. In 2004 we introduced a redesigned and vibrant website, flutest.com, where almost one million hits were registered by the end of the flu season. Here, physicians and consumers alike can monitor the incidence of flu, learn about the benefits of rapid testing and be watchful of outbreaks. A comprehensive listing is available of CLIA-waived physician offices where the QuickVue® Influenza test is accessible. This has considerably raised awareness of the availability of the test as a tool to combat the spread of influenza.

Our public relations efforts included 11 million broadcast media impressions and over 20 million impressions in local, regional and national print publications, including full page advertisements in *USA Today*. Our advertising efforts to the trade and professional audience include over 8.3 million impressions. To consumers, our expansion of advertising via electronic media on google.com, WebMD.com and Yahoohealth.com further enhanced the awareness of the QuickVue® Influenza test.

"One of the advantages of using rapid testing for influenza in an outpatient setting is to allow patients to be quickly identified as having influenza and therefore prevent or minimize other types of laboratory diagnostic tests that may have to be performed on the patient."

Mario Marcon, M.D.
Director of Clinical Microbiology
& Virology Labs
Columbus Children's Hospital

"As a parent, I really want to know what's going on, especially when it comes to flu. Getting the right treatment, right away gives me peace of mind."

Sherrie Sims
Parent

The market for POC tests for infectious diseases continues to grow at approximately 17% annually

The market for rapid tests that cover cancer and bone health is growing at an approximate 20% rate

The brand consistently outranks major competitors in the important categories of accuracy, ease of use, quality and reliability.

QUIDEL CUSTOMER SATISFACTION RATE, BASED ON OUR MOST RECENT SURVEY IS AT 98%. THOUGH WE ARE PLEASED WITH THESE RESULTS, WE ARE CONTINUOUSLY STRIVING TO INCREASE OUR CUSTOMER SATISFACTION.

Our People. Our Strength.

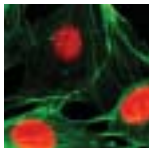
We are fortunate to have both strength of creativity and depth of knowledge at Quidel. Our people have amassed a track record of innovation and are responsible for unique inventions related to disease diagnosis that are protected by more than 200 patents in the U.S., Europe and other countries around the world. Our scientists work with thought leaders and individuals from the World Health Organization, the Centers for Disease Control and Prevention, the National Institutes of Health and other affiliates to collaboratively develop strategies to improve world health. Our top scientists are called upon to design studies and present research in forums where researchers, physicians and developers of new pharmaceutical products are watchful of new developments.

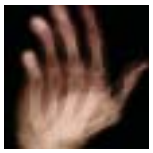
Our continuing, growing and robust investment in research and development (R&D) is indicative of our commitment. Our R&D teams, along with marketing and business development, explore, analyze, assess and plan for new test analytes and new proprietary platforms. We are committed to multiple parallel development paths in order to be as agile as possible as we achieve milestones, beat the competition and impact the growth of the market and our share.

We are best in class in a number of other important ways, including receiving awards and recognition from distributor partners and certifying regulatory agencies for service, delivery, quality and consistency. These attributes are an integral part of the core foundation of our QVB™. Our U.S.-based manufacturing facilities are state of the art, with capacity that outpaces the competition. Our response times, yields and capacity are world class. We are building towards the future, and as we move toward newer platforms, we are poised for further strengthening of our market leadership.

Quidel currently has more than 200 issued patents worldwide and over 65 pending applications.

Our strength in R&D is evidenced by our team of 24 scientists including 14 Ph.D.s educated at leading universities throughout the world.





QUIDEL CORPORATION'S SPECIALTY PRODUCTS GROUP (SPG) SEEKS TO PROVIDE FIRST-TO-MARKET AND BEST-IN-CLASS PRODUCTS THAT BENEFIT THE RESEARCHER, THE CLINICIAN AND, MOST IMPORTANTLY, THE PATIENT, BY IMPROVING THE QUALITY OF HEALTHCARE AND DISEASE MANAGEMENT.

Research and Promise

In order to leverage our existing leadership and best-in-class technology and to allow for quick and cost-effective entry into new markets that address favorable demographics and growth rates, we have created our Specialty Products Group, or SPG. The SPG's goal is to deliver first-to-market products that provide a specialized value-added benefit of lowering overall healthcare costs and improving the quality of healthcare today.

This new group is charged with identifying, developing and commercializing unique research markers for oncology, metabolic bone disease (osteoporosis) and inflammatory disease. These are product categories where we enjoy or are seeking to achieve a leading market share position. Our metabolic bone disease products already exceed 50% market share with our existing microwell-based products.

Within the SPG resides our core competency in bone health and biochemical markers for bone metabolism. We own 15 patents on collagen metabolism alone. The SPG is also the repository for our intellectual property portfolio of monoclonal antibodies that have demonstrated promise in the development of new and novel markers with superior diagnostic characteristics. As a preliminary step toward developing these novel markers into point-of-care (POC) diagnostic devices, the SPG has placed certain monoclonal antibodies on a microwell platform, a cost-effective plate-based technology suitable for research as well as large clinical laboratories. Today, these products, which are successfully marketed as diagnostic and research tests under the Quidel® and Metra® brands, provide researchers and clinicians with valuable scientific and diagnostic information.

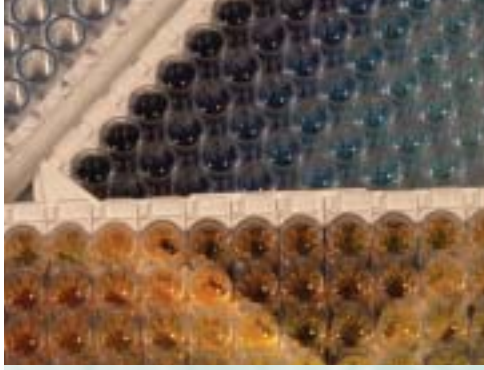
Currently, our SPG markets nine different assays for various aspects of bone health, and has more than 100 other clinical and research products in use in clinical and research institutions worldwide.

The Specialty Products Group Mission

Created in late 2004, the SPG's mission is to:

- **Deliver high-quality research and diagnostic solutions that have potential to be first-in-space POC tests.**
- **Maintain and further develop a leadership position in specific, high-value disease-state markets including oncology, osteoporosis, bone health and infectious diseases.**

- **Identify future markers for the development of POC tests in the physician office lab (POL) and acute care markets by working closely with industry luminaries and scientific thought leaders and by leveraging our leadership position to drive the Research to Rapids™ concept.**
- **Develop those new and novel diagnostic markers identified through our Research to Rapids™ process that portend dramatic advances in the delivery of healthcare in the POL.**



YKL-40

In oncology, a marker of particular interest to the SPG is YKL-40. Independent research is confirming that YKL-40 is an early stage, prognostic marker in certain tumor types, including colorectal and ovarian cancers. Currently marketed for research purposes under the Metra® YKL-40 brand, our assay for YKL-40 has been relied upon by leading academic researchers worldwide to study, among other things, tumor growth and cancer progression.

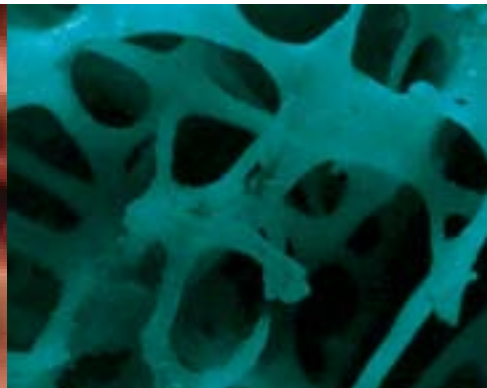
YKL-40 is a low molecular weight serum protein secreted by a variety of cell types. Under normal conditions, serum and plasma levels of YKL-40 are extremely low. However, in specific disease states, notably in certain cancers, levels of YKL-40 dramatically increase.

We intend to leverage our diagnostics expertise, and our knowledge and experience with this marker to begin developing state-of-the-art, best-in-class diagnostics. **Such YKL-40 assays could one day allow physicians to diagnose cancer earlier, thereby saving lives, and/or provide physicians substantially more and better information about the progression of the disease, thereby improving disease management and care.** Significantly, various studies have also demonstrated a link between YKL-40 levels and certain other disease states where high levels of tissue remodeling may be occurring, such as rheumatoid arthritis and liver fibrosis.

"Serum YKL-40 is an exciting new cancer marker, one with the potential to detect cancer early in patients with the most aggressive forms of a broad spectrum of cancer types. These are precisely the patients most likely to benefit from initiating cancer treatment early."

Paul Price, Ph.D.
Director, Paul Price Lab
Division of Biology
University of California, San Diego

Dr. Price is the co-discoverer and a leading authority of YKL-40 in cancer and has published more than 27 papers on the subject.



Corporate Information

QUIDEL SENIOR MANAGEMENT

Caren L. Mason
President and Chief Executive Officer

Paul E. Landers
Senior Vice President, Finance and Administration, Chief Financial Officer and Secretary

Mark E. Paiz
Chief Operating Officer

Thomas J. Foley, Ph.D.
Chief Technology Officer

BOARD OF DIRECTORS

Mark A. Pulido
Chairman of the Board,
Quidel Corporation

Caren L. Mason
President and Chief Executive Officer,
Quidel Corporation

Thomas D. Brown
Former Senior Vice President and President,
Diagnostics Division
Abbott Laboratories

Thomas A. Glaze
Chairman of the Board,
Essentials, Inc.

Douglas S. Harrington, M.D.
Chief Executive Officer and
Laboratory Director
Specialty Laboratories, Inc.

Mary Lake Polan, M.D., Ph.D.
Professor and Chairman
Department of Gynecology and Obstetrics
Stanford University School of Medicine

Faye Wattleton
President,
Center for the Advancement of Women

Annual Meeting
The annual meeting of shareholders will be held at 8:30 a.m., Thursday, May 19, 2005, at the San Diego Marriott-Del Mar
11966 El Camino Real
San Diego, California 92130

Legal Counsel
Gibson, Dunn & Crutcher LLP
Irvine, California 92614

Independent Registered Public Accounting Firm
Ernst & Young LLP
San Diego, CA 92101

Stockholder Inquiries
Inquiries related to stock transfer or lost certificates should be directed to the Transfer Agent.

Transfer Agent & Registrar
American Stock Transfer & Trust Company
59 Maiden Lane
Plaza Level
New York, NY 10038
800.937.5449

Nasdaq Listing
Quidel common stock is traded on the Nasdaq National Market under the symbol "QDEL."

Form 10-K and Form 10-Q
A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K and Quarterly Reports on Form 10-Q are available without charge upon request. Please contact Investor Relations.

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Quidel's press releases and other information are located on Quidel's Web site:
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