CEOCFO Interviews & News!

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Cepheid's vision of bringing a revolutionary platform to enable broad based molecular testing has become a reality, with testing now being done both inside and outside of the traditional laboratory setting such as in hospitals

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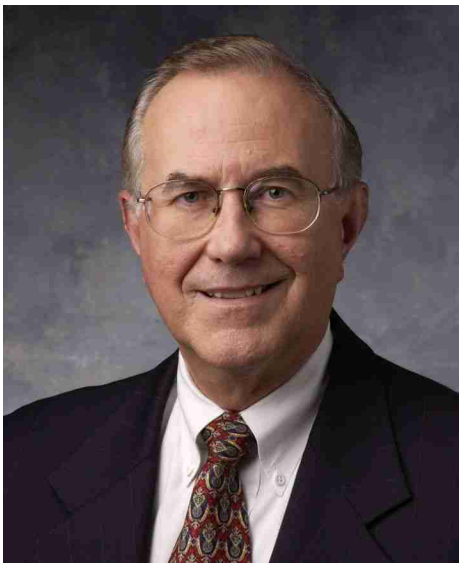

John L. Bishop
Chief Executive Officer

BIO:
Mr. Bishop joined Cepheid as Chief Executive Officer and as a director in April 2002. Mr. Bishop served as President and a director of Vysis, a genomic disease management company from 1993 to 2002 and as Chief Executive Officer from 1996 to March 2002. From 1991 until November 1993, Mr. Bishop was Chairman and Chief Executive Officer of MicroProbe Corporation, a biotechnology company and, from 1987 until 1991, of Source Scientific Systems, a biomedical instrument manufacturing company. From 1984 to 1986, Mr. Bishop was President and Chief Operating Officer of Gen-Probe, Inc. From 1968 to 1984, Mr. Bishop held various management positions with American Hospital Supply Company and its affiliates, including a three-year assignment in Japan as an Executive Vice President and Chief Executive Officer of International Reagents Corp., a joint venture between American Hospital Supply Company and Green Cross Corporation.

Company Profile:
Cepheid (Nasdaq: CPHD), based in Sunnyvale, Calif., is a molecular diagnostics company that develops, manufactures, and markets fully-integrated systems for genetic analysis in the clinical, industrial and biothreat markets. The company's systems enable rapid, sophisticated genetic testing for organisms and genetic-based diseases by automating otherwise complex manual laboratory procedures. The company's easy-to-use systems integrate a number of complicated and time-intensive steps, including sample preparation, DNA amplification and detection, which enable the analysis of complex biological samples in its proprietary test cartridges. Through its strong molecular biology capabilities, the company is focusing on those applications where rapid molecular testing is particularly important, such as identifying infectious disease and cancer in the clinical market; food, agricultural, and environmental testing in the industrial market; and identifying bio-terrorism agents in the biothreat market.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Bishop, what was your vision when you took over as CEO of Cepheid, and where are you today?
Mr. Bishop: "What I saw when first looking at Cepheid was an opportunity to bring a revolutionary platform to enable molecular tests to be done on a broad base. The idea was to put together a business that would be a broad-based molecular diagnostics company enabling molecular to be done both inside of the traditional and also outside the traditional laboratory setting. Where we are today is that vision has become a reality. What we have is a global broad-based molecular diagnostics business with solid capabilities and basic biologics; even in specialty nucleic acid and organic chemistry as well as the development of the unique platform. The company has created a first ever position in molecular in having the first product ever cleared by the FDA as Moderately Complex CLIA categorization for a couple of our products. We have created the first ever meningitis product cleared by the FDA for molecular testing. The vision has become a reality and now we are aggressively enabling hospitals to implement testing, for example for Methicillin resistant *staph aureus* screening, which is a key topic of the day for hospital-acquired infections. This enables them to easily start to put molecular testing capability in their institutions without the incremental cost and

complexity that would otherwise be required."

CEOCFO: Why is that?
Mr. Bishop: "The reason why, is when one is looking to do molecular diagnostics, essentially what you are making is photocopies of more targets. Instead of looking for a needle in a haystack, you create a haystack of needles. Those are referred to as Amplicons. As you create all of these Amplicons, it is important to have control that those Amplicons do not get out elsewhere in the laboratory. Otherwise, every time you run the test you get a false positive potential because of all these Amplicons being around the laboratory. Normally what one needs is special laboratory spaces to control the potential risk of contamination, because all of the other systems out there are what is called, 'Open Types' of systems. The difference with our GeneXpert® platform is that everything takes place in a closed cartridge. You put the specimen in, close the lid and all of the specimen prep work that needs to be done is all done in a closed environment including the final test results, so you are totally eliminating the concern of contamination. Instead of needing a specialty laboratory, you can virtually put the platform or testing system in any type of a office setting or room, and be able to get accurate results without being concerned about contamination."

CEOCFO: Are the lab people eager for this change?
Mr. Bishop: "Actually I will give you a couple of quotes. I was recently at the American Society of Microbiology meeting in Toronto and we had an individual come to our exhibit stand and what he said to us is true for a lot of people in molecular because when you look at molecular testing there is a relatively low percentage of labs today that have been doing molecular. This particular technologist was saying, "I am getting ready to retire, I do not want to have to go in to learning all about molecular testing in order to be able to do all this testing that needs to be done." Then he saw the GeneXpert® system and said, "No problem I can do that." The other issue is that we are speaking with labs that are already doing molecular testing while the system makes them even more efficient and able to be more productive, so they are very interested there. The other issue is that often labs that have molecular do not run those labs on a 24/7 basis, but there is a real need to do that from a medical standpoint. With the GeneXpert® system it can easily run on a 24/7 basis without having to have their expensive medical labs running to do that."

CEOCFO: Who is using your systems and how do you get more people to do so?
Mr. Bishop: "We have only just started shipping our systems in the US and we didn't get our first FDA-clearance until mid-2006. The big test of interest is for Methicillin resistant *staph aureus*, and we just received clearance on that earlier this year. Therefore, we are just getting going, but we are seeing good levels of interest from general hospitals and also smaller community hospitals. Going forward there is a lot of use of this system now for Methicillin resistant *staph aureus*. We are also seeing good use of the system for enterovirus meningitis and then our initial product determination of Group B staff infections."

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CEOCFO: How do you decide on which areas to develop the tests?
Mr. Bishop: "Those are determined based upon overall need in the marketplace, providing a test result and looking at all of this through the eyes of the clinician that is going to make a difference. If you have a result and the clinician says, 'Oh you know it is not going to make a big difference; well that is not going to be a high value medical lab test. We are looking at a result that will make a definitive difference on how a patient is managed and treated and that is high value add from a medical perspective. Those are our primary points of reference for developing new tests. Of course you have issues from a feasibility standpoint, regulatory issues or difficulties that may or may not be present so all of those things will be factored in as you start to develop a test menu."

CEOCFO: What do you have the ability to test for now?
Mr. Bishop: "We have the ability to look at literally any level within the genome, so we can target DNA, RNA or gene expression activities as we go forward. The platform is pretty much universal."

CEOCFO: What is ahead in the next two years?
Mr. Bishop: "We are going to round out the core menu of tests for hospital acquired infections. We are in development now of a diagnostic combination Methicillin sensitive *staph aureus* tests that will be synergistic with our MRSA surveillance tests. We are also in development of tests for Vancomycin resistant enterococcus. Therefore, that will round out the hospital acquired infections panel. We are also working on sexually transmitted diseases. These are of particular concern although there are a number of tests now where you want to improve specificity in a low incidence population, so you do not get false positives. You also want to get the results much faster. We are going to be making those available in women's healthcare in the critical infectious disease area. In addition to the enterovirus meningitis that we have now, we are also working on sepsis products for drug resistant tuberculosis and then for flu we will want to be able to differentiate flu A, B and potentially avian flu strain. We just acquired a line of products for managing compromised patients, so there are a number of different viralogical projects such as Epstein

Barr virus, Cytomegular virus situation and those are running on our SmartCycler® platform. We will also be adapting those to our GeneXpert® platform. In the oncology area nearer term we are further developing a leukemia product for managing and monitoring patients with CNL. We are working in the area of breast cancer at longer term, prostate bladder and perhaps cervical cancer because we are doing work with post genomic discovery area which are micro RNA. We also made an acquisition last year of a small company that was one of the pioneers in the micro RNA area, so we are actually one of the leaders in this new foundational area for micro RNA research. Further than the oncology we will be moving into other genetic diseases; the early point of entry will be work for hemostasis, where right now with a partner we are developing customer factor two and factor five. Subsequent to those, we will be adding tests for early determination of the most appropriate levels of Worphian Mercoubidous therapy, so that a patient is properly dosed with regard to that therapeutic approach."

CEOCFO: What is the financial picture?
Mr. Bishop: "We are in good financial condition. As of last quarter we had about $54 million in cash and our losses are dropping. We expect to be on an operating level not counting capital cost of operating and at the end of the year cash flow positive. We expect to be fully profitable for all of 2008. We have the capital that we need going forward for the company to operate on a profitable basis and certainly to be developing the menus. The platform to a large extent is already fully developed, so it is where you have a lot of permanent investment. We are looking to leverage on that platform and expand the test menu."

CEOCFO: You mentioned being the leader in various fields; what is the competitive landscape?
Mr. Bishop: "There are a number of competitors. One of the leaders in the molecular today is Roche Diagnostics and there are a number of large players. There are other emerging players, but being a leader is important. Being a leader allows you to establish market share, provide key benefits early on and then as you expand your menu, you expand with a better market position going in. That helps your strategic growth as you develop the business. Cepheid is in good position to compete effectively and rapidly develop to a leadership position."

CEOCFO: Why should potential investors be interested, and what might people miss when they first look at Cepheid?
Mr. Bishop: "They should be interested because number one the size of the sector. Molecular diagnostics is growing rapidly and it is now widely recognized by the medical community for the value that it brings. The medical community wants that value and to provide more accurate and rapid patient result that they can do something with in a shorter period of time. What Cepheid brings is a unique capability and platform such that we are going to be able to take advantage of the timing of the positioning of that market and enable hospitals that are interested or labs that are interested in molecular, do so frequently and easily. There is a big interest in expanding molecular outside of the traditional lab setting. Right now, we are uniquely positioned to be able to enable that going forward. The current molecular labs are finding large benefits in the more efficient conductive operation in something like the GeneXpert. The company is well positioned for good market adoption and coming with a broad-based menu and that positions the company for rapid growth ultimately on a profitable basis going forward."

CEOCFO: What should readers remember about Cepheid?
Mr. Bishop: "The key item is the depth and breadth of the overall biologics capability that Cepheid really has, because it is already positioned to compete with the larger players on a worldwide basis."

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