Applera Corporation Teleconference
October 24, 2007
Management Remarks for First Quarter Fiscal 2008 Earnings Call

Peter Dworkin
Good morning. Thank you for joining Applera management to discuss the first quarter fiscal 2008 financial results that we issued earlier this morning for Applera Corporation and its Applied Biosystems Group and Celera Group.

As in previous earnings calls, this morning we will discuss both of our businesses separately starting with Applied Biosystems and then moving on to Celera.

The Celera portion of the call will begin at 11:45 a.m. Eastern Time. If the Applied Biosystems portion of the call should run beyond 11:45, the Celera portion will follow immediately thereafter.

Present today are Tony White, Chief Executive Officer of Applera; Dennis Winger, Chief Financial Officer of Applera; and executives from the Applera operating businesses.

During this call, we will be making forward-looking statements about Applera's businesses. These statements are subject to the risks and uncertainties relating to our businesses and corporate structure that are referred to in the releases issued this morning and in Applera's filings with the SEC. We also will be discussing historical and forward-looking non-GAAP financial measures for Applied Biosystems. These non-GAAP financial measures are not in accordance with, or an alternative for, GAAP and may be different from non-GAAP financial measures used by other companies. A reconciliation of GAAP and non-GAAP financials can be found in today's press release and on the Financial Reports page of the Investor Relations section of the Applied Biosystems website at www.appliedbiosystems.com.

Please note that after this call, the text of these prepared remarks will be posted on the Investor Relations section of the Applera web site and on the separate Investor Relations sites of the Applied Biosystems and Celera web sites.

First, Tony White and Applied Biosystems Executive Vice President Mark Stevenson will comment on the performance of Applied Biosystems during the quarter. Also on the call today is Bill Craumer who recently joined as IR Director for Applied Biosystems.

Tony White
Good morning. First quarter fiscal 2008 revenue growth of 5% was generally in line with the expectations we called out in July when we gave our fiscal 2008 outlook given the unusual strength – 15% growth – in the prior year quarter. And we continue to expect, as

Dennis Winger will discuss later in the call, mid to high single digit revenue growth for the full fiscal year, with improving margins.

We are tracking well with two important goals for Applied Biosystems for fiscal 2008: the continued strength of our consumables product lines, up 12% during the quarter, led by a robust new product offering, and further expansion in gross margins and operating margins.

We have made good progress on two important business initiatives announced during the first quarter. We have paid Morgan Stanley $600 million under an accelerated share repurchase program, and they have delivered to the Corporation 16 million shares of Applied Biosystems stock, approximately 8.7% of shares outstanding. Depending upon the levels at which ABI shares trade over approximately the next six months, we may receive additional shares at the conclusion of this transaction.

Also in August, we announced that the Applera Board of Directors had retained Morgan Stanley to explore possible alternatives to the Company's current tracking stock structure. While a final decision has not been made related to this complex analysis, efforts to-date indicate a preference toward dissolving the current structure and creating separate publicly traded companies for Applied Biosystems and Celera. We intend to update shareholders as the analysis is completed and the decision is finalized.

The analysis is complex because Morgan Stanley is analyzing and reporting to the Board on all structural alternatives, together with the anticipated consequences of each. The Board will process that analysis into a final decision based on the best interests of all shareholders.

The process for unwinding a tracking stock into two separate stocks typically takes something on the order of a year or more, but our goal is to finalize and execute any decision by our fiscal year-end, which is June 30, 2008.

No assurances can be given that the Board will ultimately authorize such a transaction or that, if authorized, such a transaction will be consummated.

And now I'll ask Mark Stevenson to report on the quarter in more detail.

Mark Stevenson
Thanks, Tony.

As Tony mentioned, our 5% growth this quarter was generally in line with our expectations given the unusual strength in the prior year quarter. It was a challenging quarter for instruments, down 4% versus the prior year quarter, as 15% instrument growth in the prior year period took a toll on the comparison. On the positive side, our continued strategic focus on consumables and application-specific products led to a 12% increase in consumables, and the "Other Sources of Revenue" category increased 10%. "Other Sources of Revenue" consist primarily of our services business and license and royalty income. License income included a real-time PCR instrument license granted last month, further strengthening our licensed IP portfolio in this technology category.

The 2% year-on-year decline in the DNA Sequencing product category reflected a decline in instruments and increases in DNA sequencing consumables. We attribute much of the weakness in the instruments category to the tight academic grant funding environment and interest in next-generation sequencing technology. Also, as expected, fewer sequencers were shipped into forensic labs during the first quarter of fiscal 2008 following large shipments in the prior year quarter, although we are seeing the pull-through of forensic kits which we book in the Real-Time PCR/Applied Genomics product category. We anticipate the same factors may cause results in the DNA Sequencing product category in the second fiscal quarter to be similar to those in the first fiscal quarter. Despite this, we continue to anticipate modest growth in DNA Sequencing for the fiscal year, as we work through a transition in our sequencing business to include SOLiD as well as the continued use of capillary electrophoresis (CE) technology for research and commercial applications.

We are excited to be formally launching the SOLiD platform today at ASHG. The current release is capable of delivering up to 4 billion bases of sequence data per run, approximately four times the throughput of the early access systems and the highest throughput offered by any commercialized next-gen system. Scalability has doubled every quarter during the last 15 months and we see future potential for 6 to 10 GB per run. Read lengths have increased to 35 base pairs.

Data accuracy is another important performance metric, and we believe SOLiD's two interrogations of each base (two-base encoding) and mate pair analysis ensure the highest level of accuracy among next-generation systems.

Several customers from the U.S., Europe, Japan and Australia are presenting data on SOLiD at ASHG showing its capabilities for a range of applications, including digital gene expression, whole genome re-sequencing, and targeted re-sequencing.

Finally, it is worth noting that a number of customers have confirmed in public meetings that they are in the early stages of adopting next-generation systems and are having some significant issues with up time and stability on competitive systems. Feedback from customers and our experience in the sequencing market validate the belief we have shared with the financial community for months that throughput, data accuracy, robustness, low project costs, and service and support will be the most important factors for success in this marketplace, and these are parameters where we believe we have advantages.

We are pleased with the early order rates and diversity of more sophisticated sequencing customers, including genome centers, core academic labs, and commercial service labs from various parts of the world, placing orders for SOLiD. Customary with our corporate policy, it is not our plan to give shipment numbers each quarter. We believe our success in next-generation sequencing will be gained over time, as we continue to make improvements to the system and make our customers successful with their applications.

As we announced earlier this month, researchers published results from the sequencing of the first human diploid genome, all the DNA from both sets of chromosomes. This landmark sequencing study has shed light on how we believe scientists will carry out future analyses of human genomes. The study revealed that there is as much as 5-times more genetic variation between two individuals than was previously estimated. To understand how that variation contributes to disease or individual response to treatment for disease, researchers will need to identify the amount, kind and specific location of variations within the genome and this will be one of the drivers of the market for next generation sequencing.

I've spent a fair amount of time discussing sequencing because of its obvious timeliness and the interest in the market. Now let me move on to non-sequencing businesses.

The Real-Time PCR/Applied Genomics category, our largest at 36% of revenue, remained a standout in the first quarter, with 15% growth over the prior-year quarter. This category is increasingly driven by application-specific reagent products. Among the strong contributors to growth were Ambion consumables, real-time PCR master mixes for gene expression and genotyping applications, TaqMan gene expression assays, and TaqMan microRNA assays. We are particularly pleased by the adoption of our unique TaqMan array product line, our 384 well microfluidic card, which is enabling new applications such as microRNA profiling across academic and pharmaceutical segments. We believe new consumable products will continue to drive growth in the real-time PCR category, with a number of launches scheduled for this quarter. We are also utilizing our know how to offer more service-based products that help customers become productive more quickly and stimulate AB product sales. For instance, our new forensic validation support and training programs launched in the first quarter should help drive forensic kit sales in this category.

The Mass Spectrometry product revenue category increased 4% as compared to the prior year quarter, when revenues rose 19%, setting up a particularly difficult comparison for this quarter. We continue to see strong acceptance of the QTrap product line across our core pharma, biotech and CRO customers for small molecule applications, in protein biomarker applications, and in the applied markets. QTrap sales were the biggest driver of growth in mass spec systems during the quarter. Moderators to growth in the mass spec category were funding delays in Europe and business challenges in Japan. In the Applied Markets, we continue our focus on developing targeted applications, workflows and complete systems for food, environmental and forensic toxicology applications. As part of this strategy, we introduced the Cliquid™ Drug Screen and Quant Software for Routine Forensic Toxicology, a new, mass-spec-based automated toxicology testing application designed to better identify drugs of abuse for forensic investigations. The software can deliver faster results, more thorough screening and, ultimately, more accurate analysis to be used as evidence in criminal court cases.

AB success in driving growth stems from a relentless focus on market and technology segments where AB can win and fully support our customers. Our focus this year is on

SOLiD, consumables for the research and applied markets, and continuing to introduce innovative mass spectrometry solutions. We have also continued to increase our support for growth opportunities at the regional level, especially in emerging markets such as China. We believe the understanding we have of customer needs, relevant applications, and the innovative solutions we can deliver, position AB well for the future.

And now Dennis Winger will comment on Applied Biosystems' financial results for the quarter.

Dennis Winger
Thank you, Mark.

As outlined in today's press release, during the first quarter of both fiscal 2008 and 2007, the Group recorded items that affected the comparability of results. For the first quarter of 2008, the Group recorded pre-tax items that increased income before taxes by approximately $5.0 million. These items included a gain of approximately $7.6 million primarily due to a settlement and licensing agreement and $2.6 million of amortization expense related to acquired intangibles. Also recorded during the quarter were tax charges of $1.8 million.

Gross margin in the first quarter of fiscal 2008 was 55.8 % compared to 53.7% in the prior year quarter. The increase in gross margin continues a multi-year trend. As in previous recent quarters, gross margins in the first quarter continued to benefit from lower costs for enzymes. Other factors positive to gross margin included the favorable impact of foreign currency and increased royalty and license revenue. These benefits were partially offset by inventory-related costs for the 1700 reader for our Gene Expression Arrays, a product line we are discontinuing, and the inclusion of USAF contract revenue in the prior year.

During the first quarter, selling, general, and administrative expenditures increased 10% from the prior-year level due to a number of factors including increased employee-related costs, particularly in sales and marketing; reversal in the prior-year quarter of a $5 million litigation-related accrual, which created a lower level of legal expenses in the prior-year quarter; and the unfavorable impact of currency.

As expected, R&D expenditures increased 12% in the first quarter over the prior year period primarily due to further development of the SOLiD next-generation sequencing system. We expect SOLiD R&D expenses to moderate starting in the second fiscal quarter now that the system is in full commercial release.

First quarter fiscal 2008 earnings per share on a non-GAAP basis were $0.32, an increase of approximately 10% compared to $0.29 in the prior year period. The net effect of foreign currency on fiscal 2008 first quarter EPS was a benefit of approximately $0.03 compared to the prior year period. The Accelerated Share Repurchase transaction the Group executed late in the quarter reduced earnings during the first quarter by one cent per share, due to the mechanics and the timing of the program. For the full fiscal year, we anticipate that this transaction will be accretive by one cent per share. This is our current estimate. The level of accretion is influenced by several factors, among them the price of the shares repurchased as well as the level of interest rates.

The reconciliation of GAAP and non-GAAP financials can be found in today's press release as well as on the Financial Reports page of the Investor Relations section of our website, www.appliedbiosystems.com.

Cash flow from continuing operations was $97.1 million and capital expenditures were $9.5 million for the quarter. At the end of the first quarter accounts receivable were $414.1 million, representing 64 days sales outstanding, and inventory was $148.8 million, representing 3.6 months of inventory on hand.

As of the end of the quarter, cash and short term investments were $277.2 million, down from $494.5 million as of June 30, 2007. This decrease was largely the result of a $600 million payment to Morgan Stanley for the Accelerated Share Repurchase transaction, a portion of which was funded with cash with the balance coming from $275 million in short-term borrowings.

Applied Biosystems has the following expectations regarding its financial performance for fiscal 2008:

• Fiscal 2008 Revenue Growth Rate: The Group expects mid to high single digit growth assuming current exchange rates. Revenues are expected to increase for both instruments and consumables.

• Fiscal 2008 Growth by Segment: The Group anticipates revenue growth in the DNA Sequencing, Real-Time PCR/Applied Genomics, and Mass Spectrometry categories and revenue declines in the Core PCR and DNA Synthesis category and in the Other Product Lines category. Quarterly year-over-year revenue changes may be different from our annual expectations due to a variety of factors, including the timing of customer orders and disbursements of government funding.

• Fiscal 2008 Margins and Expenses: The Group expects continued gross margin expansion on the fiscal 2007 gross margin of 55.3%. SG&A as a percent of total revenues is expected to be slightly higher than the prior year level of 28.3%. R&D as a percentage of total revenues is expected to be approximately equal to or slightly below the prior year level of 9.7%. The Group expects an increase in operating margin in fiscal 2008 compared to the operating margin of 17.2% in the prior year, excluding special items in both fiscal years as described in the Use of Non-GAAP Financial Information section in the press release.

• Fiscal 2008 Effective Tax Rate: The Group expects the effective annual tax rate used to calculate non-GAAP financial measures to be approximately 31.0%, compared to approximately 30% in fiscal 2007.
• Fiscal 2008 non-GAAP Earnings Per Share Growth: The Group expects non-GAAP EPS to increase faster than the annual revenue growth rate. This includes the incremental

impact of stock based compensation and the effective tax rate. The total impact of these items on fiscal 2008 non-GAAP EPS is expected to be approximately $0.05.

• The total pre-tax impact of FAS 123R (accounting for stock based compensation) in fiscal 2008 is expected to be approximately $22.0 million, with an EPS impact of approximately $0.08.

• Fiscal 2008 Capital Spending: The Group expects capital spending to be in the range of $70-75 million.

The Group believes this outlook and its fiscal year 2008 financial performance could be affected by a number of factors and other risks and uncertainties outlined in today's press release and in our filings with the SEC.

These comments reflect management's current outlook. Applera does not have any current intention to update this outlook and plans to revisit the outlook for its businesses only once each quarter when financial results are announced.

Thank you, we'll now take your questions about Applied Biosystems.

Peter Dworkin
In the second half of our call today, Tony White will make introductory remarks about Celera and then Celera President Kathy Ordoñez will review the Celera business. Also on the call today for the Q&A portion are other Celera and Berkeley HeartLab executives and David Speechly, senior director for investor relations for Celera.

For those who may have just joined us this morning, please note that during this call we will be making forward-looking statements about the Company's businesses. These statements are subject to the risks and uncertainties relating to our businesses and corporate structure that are referred to in the releases issued this morning and in Applera's filings with the Securities & Exchange Commission.

Tony White
Thank you Peter, and good morning everyone.

I'm encouraged with the progress the business has made. As Celera has been moving toward profitability, we have looked at options that would reduce Celera's reliance on other parties in the achievement of its business goals and performance, allowing it to improve its market presence and expand its product lines. The two acquisitions we recently announced represent progress for Celera in this respect as the business now assumes greater control of its own destiny.

The acquisition of Berkeley HeartLab provides Celera with direct access to the diagnostic marketplace and to the physicians and patients it serves – providing the much needed commercial infrastructure to bring its new cardiovascular genetic tests to the American market through a strong team of people dedicated to the cardiovascular disease secondary prevention market with expertise in sales, marketing, reimbursement and cardiovascular disease management. Similarly, the acquisition of Atria Genetics is expected to contribute to Celera's objective of providing high margin products with accretive value in a market that is complementary to ours. Atria has a line of HLA testing products that are used for identifying potential donors in the matching process for bone marrow transplantation.

As our new genetic discoveries translate into potential new genetic tests and are combined with new capabilities and opportunities around these two acquisitions we're confident that our growth and development will continue through this fiscal year.

In August, we announced that the Applera Board of Directors had retained Morgan Stanley to explore possible alternatives to the Company's current tracking stock structure. While a final decision has not been made related to this complex analysis, efforts to-date indicate a preference toward dissolving the current structure and creating separate publicly traded companies for Applied Biosystems and Celera. We intend to update shareholders as the analysis is completed and the decision is finalized.

The analysis is complex because Morgan Stanley is analyzing and reporting to the Board on all structural alternatives, together with the anticipated consequences of each. The Board will process that analysis into a final decision based on the best interests of all shareholders.

The process for unwinding a tracking stock into two separate stocks typically takes something on the order of a year or more, but our goal is to finalize and execute any decision by our fiscal year-end, which is June 30, 2008.

No assurances can be given that the Board will ultimately authorize such a transaction or that, if authorized, such a transaction will be consummated.

I'll now hand it over to Kathy Ordoñez who will discuss Celera in more detail.

Kathy Ordoñez
Thank you Tony and good morning everyone.

This has been a very productive period for us with a number of positive developments, including the acquisition of Berkeley HeartLab, or BHL, and the acquisition of Atria Genetics. Our scientists continued to publish their discoveries in peer-reviewed journals and our pharmacogenomics program gained traction with an oncology collaboration with Merck. We're pleased to record profitable results for the first time in Celera's history due, in part, to the achievement of a drug development license milestone by Merck and the resale of a small molecule drug development program

Our key activities this past quarter reflect two core strategic objectives: first to continue our delivery of products and services that support personalized disease management, and second, to position Celera to have more autonomy and direct access to customers outside the alliance with Abbott.

Earlier this month, we completed the acquisition of BHL, which exemplifies execution on these strategic objectives. This transaction allows us to leverage our assets and the breadth of our product mix toward long-term growth and the creation of shareholder value. It provides value to Celera in a number of ways, not only in terms of market access, commercial infrastructure and accretion to earnings, but also by providing opportunities for Celera to more rapidly commercialize new tests and technologies, and to gain economies of scale and improve its margins as a consequence of the vertical integration with BHL's laboratory service business. Additionally, some of BHL's test offerings may form the foundation for future Celera IVD products. BHL's business model is based on personalizing cardiovascular disease management. Their field-based clinical educators work in concert with the physicians they serve to use results derived from BHL's tests to develop and monitor the effectiveness of personalized treatment regimens for exercise, diet, stress reduction and therapy compliance for the patients they serve.

We currently have 5 cardiovascular tests in development with the most near-term a molecular test designed to optimize statin therapy in those individuals carrying a certain gene variant that conveys elevated risk for a cardiac event. These data have either been accepted or are under review for publication, and we anticipate the presentation and publication of these data at key cardiovascular meetings and peer-reviewed journals this quarter. This genetic test for "statin benefit" is expected to be commercialized by BHL during the second half of fiscal 2008. Another cardiovascular test slated for commercialization in the coming months identifies certain individuals who would most benefit from aspirin therapy.

Last week, we published data in *Genetics in Medicine* on the identification of a Genetic Risk Score, or GRS, for Coronary Heart Disease, which is an important conceptual first step in the demonstration of its clinical utility. This new test along with other GRS tests in development for stroke and thrombosis are targeted for commercialization in fiscal 2009.

While the acquisition of Atria gives us direct access to the important niche market area of tissue typing in transplantation and the bone marrow registry markets, it also provides a means of potentially expanding the development of new personalized disease management products and services for the immunogenetics and autoimmunity fields.

This past quarter, Celera received FDA clearance on its test for cystic fibrosis that is performed on an Applied Biosystems DNA sequencing analyzer. We have a next generation test moving forward in development and are working with customers to determine the priority of commercialization for these two product offerings.

I'd like to take a moment to discuss end-user sales of products that are part of the alliance with Abbott, which is an important component of our business. For the first quarter of fiscal 2008, total end-user alliance sales were $24.9 million compared to $25.3 million in the prior year quarter. This was a challenging quarter for products within the alliance and the corresponding end-user sales. There were somewhat difficult year-over-year comparisons linked to the variability of orders and a large order in Russia in the prior year quarter, coupled with reduced cystic fibrosis ASR sales as a result of inventory reduction and, we believe, reduced reagent utilization due to test re-optimization, by a major customer in the U.S. this last quarter. Another contributor to the decline in end-user revenues this quarter versus the prior year quarter was the removal of the HCV genotyping ASRs due to an injunction against sales of these products by Abbott which was issued in the Innogenetics litigation.

However, we were encouraged with the sustained penetration of the *m*2000™ system in its existing markets in this last quarter, and this system continues to contribute to end-user sales. As part of their third quarter 2007 earnings last week, Abbott reported that they "have placed nearly 400 systems and continue to expand their presence, including the recent approval in China".

The growth in the installed base highlights the favorable adoption and market acceptance of the system since its launch over 2 years ago. In Europe, the Middle East and Africa, we believe the Abbott-Celera alliance now has *m*2000 placements in approximately 30 percent of our target market of around 1,000 laboratories. This excludes those laboratories that are predominantly offering home-brew assays, are focused on blood screening applications, or are too small or remote to add substantial revenue generation potential.

Increased sales of fragile X and ASRs for factor V, factor II and MTHFR also contributed to end-user sales from new products in the alliance during the quarter..

We were also encouraged by the progress that Merck described recently concerning advancement of the orally available, highly selective inhibitor of the cathepsin K enzyme into a Phase III clinical trial as a potential treatment for osteoporosis. We're pleased to have made a contribution to Merck's program for this important disease indication. If this candidate, or others developed under the cathepsin K collaboration are advanced further toward commercialization, Celera will potentially receive additional milestone payments and royalties on net sales from Merck.

Overall, we had a successful first quarter as we continued to build a firm foundation upon which to expand our product and services portfolio. The current fiscal year holds much promise as we plan to integrate BHL and Atria into the business and continue to expand revenues and move the business into profitability on a non-GAAP basis in the second half of the fiscal year. In line with this and as previously articulated, we rebalanced our R&D investments by shifting funding from discovery to development, and we curtailed our proteomics-based target discovery and validation activities, while we continue to fund diagnostic proteomics-based work. With all the developments over the past quarter, Celera is better focused and prepared to deliver on the promise of personalized disease management through its diagnostic test and service offerings, with a strong business profile for the future.

Now, Dennis Winger will make a few comments regarding the financial results for Celera and our financial outlook for fiscal 2008.

Dennis Winger
Thank you, Kathy.

In the first quarter of fiscal 2008, Celera reported a net profit of $700,000, or $0.01 per share, due to factors outlined in today's press release, compared to a net loss of $7.1 million, or $0.09 per share, for the first quarter of fiscal 2007. The first quarter fiscal 2007 results included a pre-tax charge of $3.5 million for Celera's estimated share of a damage award in continuing litigation between Abbott Laboratories, Celera's alliance partner, and Innogenetics.

Reported revenues for the first quarter of fiscal 2008 increased $5.9 million to $16.1 million, compared to $10.2 million for the first quarter of fiscal 2007. The first quarter fiscal 2008 results included $7.4 million of net revenues related to certain licensing payments, the achievement by Merck of a drug development milestone, and the resale of a small molecule compound. Also contributing to the increase in reported revenues were higher royalties. The increase in reported revenues was partially offset by a lower equalization payment from Abbott compared to the prior year period.

In the recent quarter, R&D expenses decreased by $2.5 million compared to the same quarter last year, primarily due to reduced spending in proteomics discovery efforts. SG&A expenses increased by approximately $900,000 in this last quarter compared to the prior year quarter, due to increased expenses related to the review of Applera's corporate structure.

Celera ended the recent quarter with cash and short-term investments of approximately $548 million, down about $13 million in the quarter. The level of cash and short-term investments at the end of the first quarter of fiscal 2008 was impacted by the timing of the collection of licensing and milestone payments recorded in the quarter, as well as the equalization payment from Abbott received at the beginning of the second quarter of fiscal 2008.

The guidance that we can provide for Celera for fiscal 2008 is as follows:

- Total reported revenues are anticipated to be $135 - $145 million.

- Reported R&D expenses are anticipated to be $45 - $50 million, and SG&A expenses are anticipated to be $70 - $75 million.

- Celera anticipates that it will be profitable on a non-GAAP basis for the second half of fiscal 2008. Amortization of intangibles relating to the Berkeley HeartLab and Atria Genetics acquisitions and restructuring charges, which are excluded in the determination of non-GAAP earnings per share, are expected to be between $0.07 - $0.09 per share for the remainder of this fiscal year.

- The total pre-tax impact of FAS 123R in fiscal 2008 is expected to be approximately $7 million, with an EPS impact of approximately $0.06.

- For fiscal 2008, Celera expects to spend approximately $220 - $230 million on the acquisitions of Berkeley HeartLab and Atria Genetics, including all transaction costs. Celera currently anticipates it will end the fiscal year with $320 - $330 million in cash and short-term investments. This does not include any proceeds that might be received from the sale of Celera's small molecule facility in South San Francisco, CA.

The Group believes this outlook and its financial performance could be affected by a number of factors and other risks and uncertainties outlined in today's press release and in our filings with the SEC.

These comments reflect management's current outlook. Applera does not have any current intention to update this outlook and plans to revisit the outlook for its businesses only once each quarter when financial results are announced.

We will now take your questions regarding Celera.

Peter Dworkin
Thank you for participating in this call today. Management's remarks will be posted within the hour on our websites. The audio replay will be available later today using the phone numbers listed in today's press releases.

Forward-Looking Statements

Certain statements in this press release, including the Outlook section, are forward-looking. These may be identified by the use of forward-looking words or phrases such as “believe,” “expect,” “should,” “anticipate,” and “planned,” among others. These forward-looking statements are based on Applera Corporation’s current expectations. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for such forward-looking statements. In order to comply with the terms of the safe harbor, Applera Corporation notes that a variety of factors could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements.

The risks and uncertainties that may affect the operations, performance, development, and results of Applied Biosystems businesses, including its activities in the clinical diagnostics instrumentation market, include but are not limited to: (1) rapidly changing technology and evolving industry standards could adversely affect demand for Applied Biosystems’ products, and its business is dependent on development and customer acceptance of new products; (2) Applied Biosystems’ sales are dependent on customers’ capital spending policies and government-sponsored research; (3) Applied Biosystems has significant overseas operations, and fluctuations in the value of foreign currencies could affect Applied Biosystems’ financial and operating results; (4) Applied Biosystems’ growth depends in part on its ability to acquire complementary technologies through acquisitions, investments, or other strategic relationships or alliances, which may not be successful, may absorb significant resources, may cause dilution, and may result in impairment or other charges; (5) Applied Biosystems may be subject to liabilities related to its use, manufacture, sale, and distribution of hazardous materials; (6) some of Applied Biosystems’ principal facilities are subject to the risk of earthquakes, which could interrupt operations; (7) Applied Biosystems’ products are based on complex, rapidly developing technologies, which has resulted in some ongoing legal actions against Applied Biosystems and which creates a constant risk of lawsuits, arbitrations, investigations, and other legal actions with private parties and governmental entities, particularly involving claims for infringement of patents and other intellectual property rights; (8) some of the intellectual property that is important to Applied Biosystems’ business is owned by other companies or institutions and licensed to Applied Biosystems, and legal actions against these companies or institutions could harm Applied Biosystems’ business; (9) Applied Biosystems may need to license intellectual property from third parties to avoid or settle legal actions brought against Applied Biosystems; (10) Applied Biosystems is dependent on the operation of computer hardware, software, and Internet applications and related technology for its businesses, particularly those focused on the development and marketing of information-based products and services; (11) new clinical diagnostic instruments to be developed by Applied Biosystems may not receive required regulatory clearances and/or may not be accepted and adopted by the market; (12) Applied Biosystems relies on a single supplier or a limited number of suppliers for some key products and key components of some of its products; and (13) other factors that might be described from time to time in Applera Corporation’s filings with the Securities and Exchange Commission.

The risks and uncertainties that may affect the operations, performance, development, and results of Celera's business include but are not limited to: (1) Celera may not successfully integrate the business and workforce of Berkeley HeartLab, which has approximately doubled Celera's workforce, and it may not successfully operate and grow this business as planned, among other reasons due to the fact Berkeley operates in the regulated clinical diagnostics testing market, a new business area for Celera; (2) Celera's business is substantially dependent on maintaining its existing strategic alliance with Abbott Laboratories and entering into new collaborations, alliances, and similar arrangements with other companies, which may not be successful; (3) Celera does not have the resources necessary to develop therapeutic products and therefore will not be able to participate in the development or commercialization of therapeutic products other than through collaborations or licensing arrangements with other companies; (4) Celera is using novel and unproven methods to discover markers for the development of new diagnostic products and targets for the development of new therapeutics, which may not be successful; (5) clinical trials of therapeutic or diagnostic products may not proceed as anticipated, may take several years and be very expensive, and may not be successful; (6) diagnostic or therapeutic products may not receive required regulatory clearances or approvals; (7) the diagnostic and therapeutic industries are very competitive, and new therapeutic or diagnostic products may not be accepted and adopted by the market; (8) demand for diagnostic or therapeutic products may be adversely affected if users of these products cannot receive adequate reimbursement for these products from third party payors such as private insurance companies and government insurance plans; (9) the U.S. Food and Drug Administration has issued an interpretation of the regulations governing the sale of Analyte Specific Reagent products which could harm Celera's business because the interpretation may require regulatory clearance or approval for some existing Celera and Abbott products that to date have been sold without clearance or approval, and because it may make development of new Analyte Specific Reagent products more difficult; (10) Celera relies on access to biological materials and related clinical and other information for some of its research and development efforts, and such materials and information may be in limited supply or inaccessible to Celera; (11) Celera may be subject to product liability or other claims as a result of the testing or use of therapeutic or diagnostic products, including those commercialized through collaborators or licensees; (12) Celera relies on scientific and management personnel having the necessary training and technical backgrounds and also on collaborations with scientific and clinical experts at academic and other institutions who may not be available to Celera or who may compromise the confidentiality of Celera's proprietary information; (13) Celera may be subject to liabilities related to its use, manufacture, sale, and distribution of hazardous materials; (14) Celera's ability to protect its intellectual property is uncertain, its ability to protect its trade secrets is limited, Celera is subject to the risk of infringement claims, and it may need to license intellectual property from third parties to avoid or settle such claims; (15) Celera is dependent on the operation of computer hardware, software, and Internet applications and related technology; (16) an adverse outcome in legal proceedings involving Abbott could harm Celera's business and subject it to liabilities; (17) legal, ethical, and social issues related to the use of genetic information could adversely affect demand for Celera's diagnostic products; (18) future acquisitions by Celera may not be successful, may divert management from operations, may cause dilution, and may result in impairment or other charges; (19) the outcome of the existing stockholder litigation is uncertain; (20) Celera has limited commercial manufacturing experience and capabilities and relies on a single manufacturing facility for manufacturing its diagnostic products; (21) Celera relies on a single supplier or a limited number of suppliers for key components of certain of its diagnostic products; (22) Celera's principal facilities are subject to the risk of earthquakes, which could interrupt operations; and (23) other factors that might be described from time to time in Applera Corporation's filings with the Securities and Exchange Commission.

All information in this press release is as of the date of the release, and Applera does not undertake any duty to update this information, including any forward-looking statements, unless required by law.