

**Applera Corporation Teleconference**  
**January 24, 2008**  
**Management Remarks for Second Quarter Fiscal 2008 Earnings Call**

**Peter Dworkin**

Good morning. Thank you for joining Applera management to discuss the second 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 both businesses. 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 for Applied Biosystems 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](http://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 President Mark Stevenson will comment on the performance of Applied Biosystems during the quarter. Also on the call today is Bill Craumer, IR Director for Applied Biosystems.

**Tony White**

Good morning.

Applied Biosystems had very good performance during the second fiscal quarter in terms of profitability on modest topline growth. I would characterize the business environment in the life science end markets as quite mixed -- healthy in some segments and geographies and challenging in others.

We continue to see our business transitioning to a greater contribution from consumables, which grew 12% in the second quarter compared to the prior year quarter. Instrument sales were essentially even with the prior year, affected by the transition going on in the DNA sequencing market to next-generation sequencing and by weakness in some mass spec markets. Our growing service business and our IP portfolio also contributed nicely to second quarter performance, as revenues from Other Sources, principally from the service business and from royalties, increased 10%.

Geographically, we continue to see good strength in China and most other countries in our Asia Pacific region, led by spending in the applied markets and investments by pharma; weakness in Japan, where academic and pharma spending is tight and competition intense; pretty good conditions overall in Europe; and a slower-growth environment in the U.S.

Margin improvement is an important and ongoing performance metric for us, and we are pleased to have expanded both gross margin and operating margins in the second quarter. The result was very strong growth in EPS – 35% higher than last year’s comparable quarter on a non-GAAP basis. The margin improvement is part of a long-term trend as we improve our cost structure through a variety of initiatives, take some of the benefits to the bottom line and redeploy other expenses to higher-growth parts of the business. However, we don’t regard the degree of improvement year-on-year in margins that we saw in the second quarter to be sustainable for the remainder of the fiscal year due to some special factors in the second quarter that Dennis Winger will elaborate on in a few minutes.

In this environment, our approach remains to seek the greatest possible topline growth by investing in higher-growth opportunities – both geographically and in terms of end-markets and customer applications – while delivering earnings growth at rates above the growth rate in revenues through careful expense management.

Developing our talent is always a priority, and I want to reiterate how pleased the Board and I are at having promoted Mark Stevenson to President and Chief Operating Officer, completing our planned management transition for ABI. Mark has done a great job over the past year. He is a strong leader, a strategic thinker and a tireless customer advocate. Equally important, he has the respect and support of the AB organization around the world.

And before I ask Mark to report on the quarter in more detail, I will make a quick comment on the status of the Board’s re-evaluation of our corporate structure. As mentioned in the press releases today, it remains the preference of the Applera Board of Directors to unwind the Applera tracking stock structure and create separate publicly traded companies for Applied Biosystems and Celera. While the Board has not yet made a final decision on this matter, we are working toward Applera filing a registration statement with the SEC during the current quarter in an effort to finalize a separation of the businesses by June 30, 2008, the end of the current fiscal year.

Now I'll turn the call over to Mark.

**Mark Stevenson**

Thanks, Tony.

Before getting into specific product line and platform discussion, I want to share with you some thoughts on where we're going and what we're doing to get there.

Applied Biosystems has a proud heritage of developing innovative systems that have revolutionized the life sciences.

Notwithstanding our history of success and market leadership, a few years ago, Tony and the AB management team recognized that we had to develop growth strategies that more fully leveraged our proven product development skills and global footprint to ensure continued success. At the same time, we had to apply a more rigorous, strategic filter to our portfolio-building activities to ensure that new products and workflow solutions were addressing meaningful markets with a sufficient application focus while contributing appropriate financial returns.

Let me give you an example of this process in action in the context of the genotyping market.

A year ago, we had major gaps in our genotyping portfolio – in both the discovery and screening segments --and we were unable to support the market and benefit from its growth.

Today, following our acquisition of Agencourt's next-generation sequencing technology, we have leveraged our development skills to launch our SOLiD system, which we believe will become an important discovery tool. In November, we announced a collaboration with Biotrove to develop and market an integrated workflow solution that deploys TaqMan genotyping assays on a mid-density array platform ideally suited to screening applications. Collectively, these two portfolio additions should allow us to access nearly \$700 million of amenable new markets that we simply couldn't serve before.

Another good example is in the area of microRNAs, which are increasingly recognized as important factors in gene regulation and cellular function. Having integrated Ambion with our market leading real-time PCR platform and assays to build our consumables business, we have leveraged our consolidated knowhow to develop a complete set of offerings enabling microRNA profiling, validation and characterization.

Along with good portfolio management skills, the management group decided AB needed better operational discipline to strengthen gross and operating margins and drive profitability. Thanks to a range of initiatives, margins at AB have been improving since 2004 and, as you have seen from the second quarter results, we continue to make improvements in these areas. Dennis will discuss our financials in more detail.

So let me now walk you through the highlights of our product line performance.

DNA sequencing continues to be in transition. CE instrument placements are declining in the research market as instrument funding priorities shift toward next-generation sequencing platforms. Related CE consumables volume continues strong. CE placements in applied markets such as forensics tend to be lumpy, but we are seeing good pull-through on forensics kits which run on those platforms and which are reported in our Real-Time PCR/Applied Genomics category. We began shipping commercial SOLiD units in October and are very pleased with the market's strong interest in the product offering. As we have said before, we expected a few months delay between shipment and revenue recognition as customers get up and running on the systems and complete validation runs, and so our first revenue recognition on SOLiD system shipments will come in the current quarter which ends on March 31. As we continue development of the SOLiD platform, our priority is to support existing customers and ensure system robustness at the world-class level AB customers have come to expect. As we ramp up this new technology, we are making sure that we allocate sufficient resources to deliver to this expectation. We are purposefully constraining shipments to new customers until we know we have trained field personnel to help start and validate the units. We are also at work on a number of planned improvements and new features in the system. We expect to incorporate these in shipments to be made later in the fiscal year. As with any new technology development, we are climbing an experience curve - along with our customers. For those of you who have followed us for a while, you will recognize that this pattern is quite similar to that experienced by the ABI Prism® 3700 CE system, which evolved to become the mainstay technology for the human genome sequencing project.

Moving on to our non-sequencing business, the Real-Time PCR/Applied Genomics category was both our largest, at 36% of revenue, and our fastest grower, weighing in with 16% growth over the prior-year quarter. Most of our consumables revenues are recorded in this category, including our Ambion products, TaqMan assays and real-time PCR master mixes for genotyping and gene expression. Consumables revenues for DNA forensics and other applied markets are also included. In addition to driving our consumables into key applications, we are enabling further growth and usage by deploying these technologies in what I would term different form factors. For example, TaqMan assays – and their gold-standard benefits -- are available in tubes, on microfluidic cards and soon, on Biotrove's OpenArray nanofluidic platform for high-sample-throughput screening applications. The OpenArray platform is expected to help us access a new and fast-growing market opportunity that is estimated at greater than \$200 million. During the second quarter we launched an enhanced line of short interfering RNA products to turn off the expression of certain genes and study their role in biological pathways. We also signed an agreement with Integromics to integrate advanced data analysis capability into real-time PCR offerings for improved gene expression workflows. And in the forensics area, we introduced new software to automate workflows and analysis, catalyzing additional kit sales into forensic applications.

The Mass Spectrometry product revenue category increased 1% compared to a tough comp in the prior year quarter when revenue rose 14%. Our Applied Markets mass spec business continued to show good growth especially in North America and Asia. Japan has seen a significant market slow down in recent months due to pharma outsourcing and downsizing and in addition we have started a realignment of our organization there to more effectively deal with this new market dynamic. In the emerging markets, China is continuing to show strong growth. In Q2 we further strengthened our position in the rapidly growing Applied Markets area with the introduction of our Cliquid Based MS system for forensic applications. This unique approach allows us to deliver high performance systems in a range of price points while dramatically increasing the ease of learning and ease of routine use, especially needed in the applied markets where new customers don't have extensive backgrounds in mass spectrometry.

Overall we continue to see the Mass spec market as one of the most competitive markets we participate in with both new and established players strengthening and broadening their offerings in both product types and application areas. As a market leader we are committed to innovating in this market and are working closely with our partners at MDS Sciex to develop new applications and technologies to meet our customers' needs.

So in summary, our overall revenue growth in Q2 was in the mid single digit range. We expect SOLiD systems to begin to contribute to DNA sequencing revenues in the current quarter and anticipate stronger results in the mass spectrometry product category this quarter and next. Our leadership in product development and global reach translates into winning strategies in markets/applications we chose to compete in. Looking ahead, we see opportunity for further improvement as we manage our new product pipeline more strategically, fine-tune our product mix, and inject further rigor and discipline into our operations.

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

**Dennis Winger**

Thank you, Mark.

As mentioned, improving margins was a highlight of the second quarter. Gross margin in the second quarter of fiscal 2008 was 58.1% compared to 55.6% in the prior year quarter. Lower costs for enzymes used in a variety of our PCR consumables and the favorable impact of foreign currency were the primary factors causing the gross margin expansion.

During the second quarter, selling, general, and administrative expenditures increased 5% from the prior-year level primarily due to the unfavorable impact of currency and employee-related costs.

R&D expenditures decreased 13% in the second quarter from the prior year period primarily due to lower employee-related costs, the termination in June 2007 of a contract with the U.S. Department of Defense and the timing of R&D project expenses.

As Tony mentioned, some of the factors that benefited our margins during the second quarter are not expected to recur to the same extent in the third and fourth quarters of the fiscal year. Currency, for example, was very favorable this quarter, but more recently the dollar has rallied modestly against the Euro and the Yen. We benefited more from product mix during the second quarter than we currently anticipate for the remainder of the fiscal year. Additionally, due to reinvestment into strategic initiatives and timing of certain expenses, R&D and SG&A expenses were lower in the second quarter than we expect for the rest of the fiscal year.

Second quarter fiscal 2008 earnings per share on a non-GAAP basis were \$0.50, an increase of approximately 35% compared to \$0.37 in the prior year period. The net effect of foreign currency on fiscal 2008 second quarter EPS was a benefit of approximately \$0.05 per share compared to the prior year period. The Group's accelerated share repurchase transaction reduced quarterly per-share results by approximately two tenths of one cent.

Speaking of the Accelerated Share Repurchase transaction, I am pleased to say that Morgan Stanley has exercised its option to settle this transaction early. As a result, on Friday we will be receiving an additional 1.9 million shares of Applied Biosystems stock. This supplements the 16 million shares we reported in October when we released Q1 financial results. Based on this, we have revised our estimate of the impact such that we now expect the Accelerated Share Repurchase transaction to be accretive to Applied Biosystems fiscal 2008 earnings by approximately \$0.02 per share, up from our previous estimate of one cent per share. Subject to market conditions, we will now be able to consider open-market purchases of additional Applied Biosystems shares over the next several quarters, consistent with our previously stated intentions.

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](http://www.appliedbiosystems.com).

Cash flow from continuing operations during the second quarter was strong at \$128.8 million and capital expenditures were \$10.6 million. At the end of the second quarter accounts receivable were \$411.0 million, representing 53 days sales outstanding, and inventory was \$157.3 million, representing 3.5 months of inventory on hand.

As of the end of the quarter, cash and short term investments were \$355.9 million, down from \$494.5 million as of June 30, 2007. This decrease was largely the result of a \$602 million payment to Morgan Stanley for the Accelerated Share Repurchase transaction, a portion of which was funded with available cash and the balance of which was funded by \$275 million in short-term debt. We repaid \$50 million of these borrowings during the quarter.

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

- We expect mid single digit revenue growth assuming current exchange rates. Revenues are expected to be comparable to the prior year level for Instruments and to increase for Consumables.
- We anticipate growth across all product categories with the exception of Other Product Lines, where we expect a decline. 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.
- We expect gross margin improvement in fiscal 2008 compared to 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 below the prior year level of 9.7%. We expect less quarter-to-quarter fluctuation in R&D and SG&A between quarters three and four than between quarters one and two; the average of R&D and SG&A as a percent of revenues in quarters one and two should be more informative about expense ratios for the remainder of the year than the ratios in either the first or second fiscal quarter alone. The Group expects an increase in operating margin in fiscal 2008 of at least two hundred basis points 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 below.
- We expect the effective annual tax rate used to calculate non-GAAP financial measures to be approximately 31%, compared to approximately 30% in fiscal 2007.
- We expect that, excluding the impact of currency, non-GAAP EPS will grow at double-digit rates. This includes the incremental impact of stock based compensation and the increase in the effective tax rate over the prior fiscal year. 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. Note that unlike some companies in our industry, we include net stock option expense in non-GAAP earnings.
- We expect capital spending to be in the range of \$60-65 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, Celera's senior director of investor relations.

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. We also will be discussing historical and forward-looking non-GAAP financial measures for Celera. 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 for Celera can be found in today's press release and on the Financial Reports page of the Investor Relations section of the Celera website at [www.celera.com](http://www.celera.com).

**Tony White**

Thank you Peter, and good morning everyone.

Celera has made substantial progress this quarter. We saw improved performance by products within the alliance with Abbott, and I am encouraged with the collective contribution from Berkeley HeartLab and Atria Genetics to the Celera financial profile. This outcome was what we had anticipated when we considered the acquisitions of these companies. With these overall developments, combined with the organizational focus that Kathy Ordoñez and her management team are implementing to further streamline the business, we're confident that this progress will continue.

As mentioned in the press releases today, it remains the preference of the Applera Board of Directors to unwind the Applera tracking stock structure and create separate publicly traded companies for Applied Biosystems and Celera. While the Board has not yet made a final decision on this matter, we are working toward filing a registration statement with the SEC during the current quarter in an effort to finalize a separation of the businesses by June 30, 2008, the end of the current fiscal year.

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

**Kathy Ordoñez**

Thank you Tony and good morning everyone.

This has been a productive period for us with a number of positive developments. We completed the acquisitions of BHL and Atria Genetics, and the integration of these businesses into Celera is proceeding well. Our scientists continued to publish their discoveries in peer-reviewed journals, and I'll expand on the *KIF6* publications from earlier this week in a few minutes. Our pharmacogenomics program gained additional traction with a collaboration with the French pharmaceutical company Ipsen in growth

failure, and finally, as Tony mentioned, we're pleased with the overall performance of the business this quarter.

Over the past few quarters we have spoken about our focus on 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. We feel that we're making good headway toward the achievement of both of these objectives. With the acquisitions of BHL and Atria behind us, we have restructured the organization around two business units: our in vitro diagnostic, or IVD, product business that incorporates the alliance with Abbott and our laboratory testing and disease management services business through BHL.

In order to facilitate the integration of BHL and Atria and prepare for the potential separation of Celera from Applera Corporation, we've consolidated our IVD product business under the leadership of Dr. Mike Zoccoli, who was promoted to the position of General Manager of this business. Mike joined Celera six years ago and has a wealth of experience in diagnostic product development and manufacturing. The BHL service business continues under the leadership of Frank Ruderman.

In line with these structural changes, and as previously noted, we are rebalancing our R&D investments by shifting some funding from discovery to development, and concentrating much of our discovery effort in the cardiovascular space. We have also curtailed our proteomics-based therapeutic target discovery and validation activities, while continuing to fund diagnostic proteomics-based work.

I'd like to talk about the BHL part of our business for a moment. BHL's business model is based on personalizing cardiovascular disease management for prevention of disease in higher risk and secondary care patients. BHL employs just over 300 people, with nearly a third of these in the field – either as sales representatives or clinical educators. Our clinical educators work with medical practitioners as they incorporate results from BHL's cardiovascular tests to develop and monitor the effectiveness of personalized treatment regimens for exercise, nutrition, stress reduction and therapy compliance for their patients. BHL has a strong history of bringing new tests to the cardiovascular market, including recent successful introductions of the Lp-PLA2 and NT-pro-BNP tests. We are looking to this capability to commercialize new laboratory developed tests at BHL that incorporate Celera's research findings.

During calendar 2007, service revenues generated by BHL grew to approximately \$85 million, consistent with the forecast we made at the time of the acquisition, and reflecting a 16% increase over calendar 2006. During 2007, nearly 4,200 physicians ordered more than 1.8 million tests from over 227,000 patient samples processed by the laboratory.

Earlier this week, Celera and 39 collaborators published three research articles in the Journal of the American College of Cardiology. This work involved collaborators from 18 institutions, including Brigham and Women's Hospital and Harvard Medical School, University of Glasgow in Scotland, University of San Francisco, and Bristol-Myers

Squibb Pharmaceutical Research Institute, just to name a few. The papers describe the identification of a novel gene variant called *KIF6* that codes for a kinesin-like protein that conveys up to 55% increased risk for coronary events versus people who do not have the risk form of the gene. *KIF6* is prevalent in about 60% of the population. The *KIF6* risk allele provides a similar degree of risk for coronary heart disease as an elevated level of LDL cholesterol or hypertension. We think it's important for a person to know their *KIF6* status and if they're exposed to this incremental genetic risk.

Two key findings of these papers were that the excess risk for cardiovascular events associated with the *KIF6* variant was virtually eliminated by pravastatin, or Pravachol®, therapy and that high-dose atorvastatin or Lipitor® therapy reduced risk in carriers of the *KIF6* risk variant more effectively than moderate-dose pravastatin therapy in acute coronary syndrome patients. Since carriers of the *KIF6* risk allele benefited from both Pravachol and Lipitor, we believe this to be a class effect.

These findings make a compelling case for testing for *KIF6* status to aid in the medical assessment of the substantial number of people considered to be at moderate risk of developing heart disease based on traditional risk factors such as cholesterol levels and blood pressure. Moreover, knowledge that the elevation in heart disease risk conveyed by the *KIF6* genetic variant can be virtually eliminated by statin therapy may provide physicians with new genetic information in considering treatment options for their patients. It also supports long-term statin therapy compliance among patients carrying the *KIF6* risk variant.

With this in mind, BHL is in the process of validating a laboratory developed test for *KIF6*, which we expect to commercialize in the coming months. Celera's IVD product business also expects to develop and secure registration for a diagnostic product to identify patients with the *KIF6* risk variant. This is the first in a series of new cardiovascular tests in development, including tests that identify people who benefit from aspirin therapy and others that identify those people at elevated risk for stroke, early MI, and thrombosis.

In our breast cancer program, we're pleased that LabCorp commenced the commercialization of the first of two assays based on Celera's discoveries. This breast cancer assay is a gene expression panel that is expected to more accurately determine estrogen and progesterone receptor status than commonly employed immunohistochemical methods. Some of you may have read the article a few weeks ago in the Wall Street Journal that highlighted some of the inaccuracies of such commonly employed breast cancer tests. We believe a gene expression approach is a more accurate means of assessing ER/PR status.

Another laboratory developed test that predicts the potential for breast cancer metastasis incorporating Celera discoveries is also currently in validation at LabCorp. We are planning to develop and seek registration for a test on the *m2000*<sup>TM</sup> real time system that incorporates these findings.

On that note, I'd like to take a moment to discuss end-user sales of products that are part of our strategic alliance with Abbott, which is an important component of our IVD product business. For the first quarter of fiscal 2008, total end-user alliance sales were \$32.0 million compared to \$23.2 million in the prior year quarter. We were encouraged with the sustained penetration of the *m2000* system in its existing markets in this last quarter, and this system continues to contribute substantially to the growth in alliance end-user sales.

We also saw increased sales of the Atria HLA products and ViroSeq® tests for genotyping HIV, which also contributed to the year-over-year growth in end-user alliance revenues. These increased sales were partially offset by lower sales of cystic fibrosis reagents and the removal of the HCV genotyping ASRs due to the injunction against sales of these products by Abbott previously issued in the Innogenetics litigation. Last week, the Court of Appeals for the Federal Circuit vacated this permanent injunction and remanded the case back to the lower court for further action.

In summary, we had a productive second quarter with important publications and solid financial performance. We're encouraged by the integration of BHL and Atria into Celera and with the consequent expansion of revenues from these sources, as well as the performance of our IVD product business. 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 product 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 second quarter of fiscal 2008, Celera reported a net profit of approximately \$300,000, or essentially break-even earnings per share, due to factors outlined in today's press release, compared to a net loss of \$500,000, or \$0.01 per share, for the second quarter of fiscal 2007.

Reported revenues for the second quarter of fiscal 2008 were \$40.3 million, compared to \$13.2 million for the second quarter of fiscal 2007. Excluding revenues that were derived from services and products related to the BHL and Atria acquisitions, Celera's reported revenues for the second quarter of fiscal 2008 increased \$3.4 million compared with the prior year quarter. The increase was primarily related to higher diagnostic-related licensing and royalty revenues and a higher equalization payment from Abbott. The second quarter of fiscal 2007 included \$2.5 million from the sale of a small molecule drug discovery and development program.

In the recent quarter, R&D expenses decreased by \$1.4 million compared to the same quarter last year, primarily due to reduced spending in proteomics discovery efforts.

SG&A expenses increased by \$12.8 million in this last quarter compared to the prior year quarter, primarily reflecting increased expenditures relating to sales of BHL services and increased expenses related to the review of Applera's corporate structure.

Celera ended the recent quarter with cash and short-term investments of approximately \$342 million, down about \$206 million in the quarter. The level of cash and short-term investments at the end of the second quarter of fiscal 2008 reflects the completion of the acquisitions of BHL and Atria Genetics in the quarter, which collectively consumed approximately \$215 million in cash, including transaction costs and net of cash acquired.

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 \$40 - \$45 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 fiscal 2008, although non-GAAP earnings may be below break-even for the third quarter due to, among other things, ongoing integration expenses from the Berkeley HeartLab and Atria Genetics acquisitions and costs incurred in support of the anticipated separation of Celera from Applera Corporation.
- Amortization of intangibles relating to acquisitions, which are excluded in the determination of non-GAAP earnings per share, are expected to be approximately \$0.06 per share for the fiscal year, of which approximately \$0.04 per share are expected to be incurred in the last 6 months of the 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. Note that unlike some companies in our industry, we include net stock option expense in non-GAAP earnings.
- Celera currently anticipates it will end the fiscal year with \$340 - \$350 million in cash and short-term investments.

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**

Deleted: (to be updated)

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 laboratory testing market, a new business area for Celera; (2) the sale of clinical laboratory testing services and diagnostic products is dependent on government insurance programs such as Medicare and private insurance companies accepting the use of those services and products as medically necessary and worthy of reimbursement; (3) the revenue generated from the sale of clinical laboratory testing services and diagnostic products is highly dependent on the amounts that these government and private payors will pay for the services and products, and these amounts may be reduced in response to ongoing efforts by these payors to control healthcare costs; (4) Celera's clinical laboratory testing services are subject to a wide variety of federal and state laws and regulations that govern, for example, clinical testing of human specimens, improper kickbacks or referrals to healthcare providers, and the privacy and security of patient data, and failure to comply with these laws and regulations could cause an interruption in operations, damage to our reputation, exclusion from participation in healthcare programs, fines or other legal penalties, and damages payable to patients or others; (5) Celera depends on physicians, laboratories, and others to collect and process patient specimens and send them overnight via Federal Express to its clinical laboratory for testing, and any interruption or delay in the delivery of specimens could cause them to spoil, prevent testing, and harm Celera's business; (6) Celera's commercialization of diagnostic products 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; (7) clinical trials of diagnostic products may not proceed as anticipated, may take several years and be very expensive, and may not be successful; (8) diagnostic products may not receive required regulatory clearances or approvals; (9) the markets for clinical laboratory testing services and diagnostic products are very competitive, healthcare providers may prefer to use better-known laboratories for clinical testing, and healthcare providers may not accept new diagnostic products developed by Celera or its collaborators; (10) 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; (11) the FDA has issued draft guidance on a new class of complex laboratory-developed tests that may require our clinical laboratory to obtain regulatory clearance or approval before it can perform these tests and that may require other laboratories to

obtain regulatory clearance or approval for these complex tests before they can perform clinical testing using our diagnostic products or based on intellectual property licensed from us; (12) 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; (13) Celera may be subject to product liability or other claims as a result of its clinical laboratory testing services or the testing or use of its or its collaborators' or licensees' diagnostic products; (14) 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; (15) Celera may be subject to liabilities related to its use, manufacture, sale, and distribution of hazardous materials; (16) 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; (17) Celera is dependent on the operation of computer hardware, software, and Internet applications and related technology; (18) an adverse outcome in legal proceedings involving Abbott could harm Celera's business and subject it to liabilities; (19) legal, ethical, and social issues related to the use of genetic information could adversely affect demand for Celera's clinical laboratory testing services and diagnostic products; (20) future acquisitions by Celera may not be successful, may divert management from operations, may cause dilution, and may result in impairment or other charges; (21) the outcome of the existing stockholder litigation is uncertain; (22) Celera relies on a single laboratory testing facility and a single manufacturing facility, it would be difficult to repair, replace, or expand these facilities on a timely basis should that be necessary due to, for example, significant damage caused by natural disaster or other events or a substantial and unexpected increase in demand for products or services, and Celera does not have any backup facilities or arrangements should these events occur; (23) Celera relies on a single supplier or a limited number of suppliers for some kits used for its clinical laboratory testing services and some key components for manufacturing its diagnostic products; and (24) 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.

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