FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

APPLIED BIOSYSTEMS INC.
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SIC: **3826** Laboratory analytical instruments

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 Or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended June 30, 2008

Or

☐ **Transition Report Pursuant to Section 13 Or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____

Commission File Number 001-04389

Applied Biosystems Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	**06-1534213**
(State or other jurisdiction of Incorporation or organization)	**(I.R.S. Employer Identification No.)**
301 Merritt 7	**06851-1070**
(Address of principal executive offices)	**(Zip Code)**

Registrant' s telephone number, including area code: 203-840-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Applied Biosystems Group Common Stock (par value $0.01 per share)	**New York Stock Exchange**
Rights to Purchase Series A Participating Junior Preferred Stock (par value $0.01 per share)	**New York Stock Exchange**
Celera Group Common Stock (par value $0.01 per share)	**N/A**
Rights to Purchase Series B Participating Junior Preferred Stock (par value $0.01 per share)	**N/A**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant' s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of December 31, 2007, the last business day of the registrant' s most recently completed second fiscal quarter, the aggregate market value (based upon the average of the high and low price) of our Applied Biosystems Group Common Stock held by non-affiliates was $5,710,983,856, and the aggregate market value (based upon the average of the high and low price) of our Celera Group Common Stock held by non-affiliates was $1,262,121,484. As of August 25, 2008, 169,505,575 shares of our Applied Biosystems Group Common Stock were outstanding, and no shares of Celera Group Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Stockholders for Fiscal Year ended June 30, 2008–Parts I, II, and IV.

Proxy Statement for 2008 Annual Meeting of Stockholders - Part III.

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PART I

Item 1. Business

Company Overview

Throughout this report, terms such as the "company," "Applied Biosystems," "we," "us," or "our" may be used to refer to Applied Biosystems Inc.

Business Overview

We are a global leader in the development and marketing of instrument-based systems, consumables, software, and services for academic research, the life science industry, and commercial markets. We commercialize innovative technology solutions for DNA, RNA, protein, and small molecule analysis. Customers across the disciplines of academic and clinical research, pharmaceutical research, and manufacturing, forensic DNA analysis, and agricultural biotechnology use our products and services to accelerate scientific discovery, improve processes related to drug discovery and development, detect potentially pathogenic microorganisms, and identify individuals based on DNA sources. We have a comprehensive service and field applications support team for a global installed base of high-performance genetic and protein analysis solutions. A more complete description of our products and services, and developments during our 2008 fiscal year, is set forth below in this Item 1.

Mr. Stevenson was promoted to President and Chief Operating Officer of the company in August 2008. Prior to that, in December 2007, he was promoted to the positions of Senior Vice President of our company and President and Chief Operating Officer of the Applied Biosystems business. Mr. Stevenson previously had been a Vice President of the company and Executive Vice President of the Applied Biosystems business.

We derive more than 10% of our consolidated revenues from instruments and consumables. For information on revenues from these sources in our 2008, 2007, and 2006 fiscal years, refer to pages 28 and 31 of Management' s Discussion and Analysis in our 2008 Annual Report, which pages are incorporated herein by reference.

The risk factors associated with our company and our business, including our pending merger with Invitrogen Corporation described below, are set forth below in Item 1A of this report under the headings "Risk Factors."

Corporate History and Structure; Celera Separation

We were incorporated in 1998 under the laws of the State of Delaware. We are the successor to "The Perkin-Elmer Corporation," a corporation originally formed in 1939, as a result of a recapitalization completed in May 1999. As part of the 1999 recapitalization, we established the following two classes of common stock:

Applied Biosystems Group Common Stock, which we refer to in this report as "Applied Biosystems stock"; and

Celera Group Common Stock, which we refer to in this report as "Celera stock."

These two classes of stock, sometimes referred to as tracking stock, were intended to reflect separately the relative performance of our Applied Biosystems group and Celera group businesses. These businesses were operated under our tracking stock structure as separate units of a single company and they were not separate legal entities. As further described below, we have terminated the tracking stock structure and the Celera group business has been separated from our company. The separated Celera group is a diagnostics business delivering personalized disease management through a combination of products and services incorporating proprietary discoveries. This business operates through two principal business units, a clinical laboratory testing service business and an *in vitro*, meaning outside of the living body, diagnostic products business. The services business, conducted through the recently-acquired subsidiary Berkeley HeartLab, Inc., or BHL, offers a broad portfolio of clinical laboratory tests and disease management services to help healthcare providers improve cardiovascular disease treatment regimens for patients. The *in vitro* diagnostic, or IVD, products business develops, manufactures, and oversees the commercialization of molecular diagnostic products, most of which are commercialized through an alliance with Abbott Molecular, a subsidiary of Abbott Laboratories. The separated Celera group business also has licensed other relevant diagnostic technologies to clinical laboratories to provide personalized disease management in cancer and liver disease.

In August 2007, we announced that our Board of Directors had retained Morgan Stanley to explore alternatives to the company' s tracking stock structure, including the possibility of creating two independent publicly-traded companies in place of the Applied Biosystems group and Celera group businesses. Further to that announcement, on July 1, 2008, we completed the separation of all of the business, assets, and liabilities of the Celera group from our remaining business. The separation was completed by means of a redemption of each outstanding share of Celera stock in exchange for one share of common stock of Celera Corporation, a Delaware corporation, which now holds all of the business, assets, and liabilities previously attributed to the Celera group. On July 1, 2008, following the consummation of the Celera group separation, Celera Corporation became an independent, publicly-traded company whose shares are listed on The NASDAQ Stock Market under the symbol "CRA." The Applied Biosystems group became our only business and Applied Biosystems stock became our only class of common stock outstanding. In connection with the Celera separation, we changed our corporate name from Applera Corporation to Applied Biosystems Inc. More information about the separation of the Celera group is set forth below under the heading "Celera Separation."

Pending Invitrogen Merger

On June 11, 2008, we entered into an Agreement and Plan of Merger with Invitrogen Corporation and Atom Acquisition, LLC, a direct wholly-owned subsidiary of Invitrogen. Pursuant to the terms and conditions of the Invitrogen Merger Agreement, we will merge with and into Atom Acquisition, with that entity continuing as the surviving entity and a direct wholly-owned subsidiary of Invitrogen. Upon completion of the transaction, Invitrogen will expand its board of directors from nine to twelve members and appoint three of our current directors to the board of Invitrogen. The parties currently expect the merger to be completed in the fall of 2008, subject to satisfactions of the conditions specified in the Merger Agreement. More information about the Invitrogen Merger Agreement is set forth below under the heading "Invitrogen Merger Agreement."

Accelerated Share Repurchase; Term Loan

On April 26, 2007, we announced that our Board of Directors authorized the repurchase of up to 18,400,000 shares of Applied Biosystems stock. On August 8, 2007, we announced that our Board of Directors increased this authorization to $1.2 billion (in the aggregate, including approximately $100 million of Applied Biosystems stock previously repurchased under the authorization prior to the increase), which at market prices on that date represented approximately 20% of the outstanding shares of Applied Biosystems stock, or double the authorization prior to the increase. The increased authorization has no time restrictions and delegates to management discretion to purchase shares at times and prices it deems appropriate through open market purchases, privately negotiated transactions, tender offers, exchange offers, or otherwise.

Subsequent to the increase in the authorization, we engaged in an Accelerated Share Repurchase Transaction with Morgan Stanley& Co. Incorporated. Pursuant to this transaction, we paid Morgan Stanley $600 million, plus transaction costs, in exchange for a total of approximately 17.9 million shares at an average price per share of $33.5276, excluding transaction costs. This transaction was completed in January 2008. Under the Invitrogen Merger Agreement, described above, we are restricted from repurchasing any more shares of Applied Biosystems stock.

On August 27, 2007, we entered into a Term Loan Agreement with Bank of America, N.A., as administrative agent, and the initial lenders named therein, pursuant to which we received an unsecured term loan in an aggregate amount of $100,000,000. We funded the Accelerated Share Repurchase transaction using the proceeds of this term loan, borrowings of $175,000,000 under our existing corporate credit facility, and U.S. cash reserves, funds from domestic operations, and other sources. As of the end of our 2008 fiscal year, we had repaid all of the borrowings under our corporate credit facility, and subsequently, in July 2008, we repaid $50,000,000 of the term loan.

Available Information

Website

We maintain an Internet website at www.appliedbiosystems.com. All interested persons can access the following information on this website free of charge:

our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with or furnished to the Securities and Exchange Commission;

Section 16 “insider transaction” reports, which include Forms 3, 4, and 5, filed by our officers and directors with the SEC; and

information relating to our corporate governance, including: our Corporate Governance Guidelines; our Code of Business Conduct and Ethics, which is applicable to our officers, directors, and employees; the charters for the Audit/Finance Committee, the Management Resources Committee, and the Nominating/Corporate Governance Committee of our Board of Directors; information on how to communicate with our Board of Directors, including our non-management directors; and information on how to report valid complaints and concerns to the Company regarding accounting, internal accounting controls, or auditing matters.

We make our SEC reports and the insider transaction reports available on our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

The following table indicates how to access the documents described above on our website. In addition, you can obtain copies of these materials by calling our corporate Secretary at 203-840-2000 or by making a request in writing mailed to: Attention: Secretary, Applied Biosystems Inc., 301 Merritt 7, Norwalk, CT 06851-1070.

Website Address:	www.appliedbiosystems.com
SEC Filings:	Click on the link to "SEC Filings" in the "Investors & Media" section of the website, and then click again on the link to "SEC Filings."
"**Insider Transaction**" **Reports:**	Click on the link to "SEC Filings" in the "Investors & Media" section of the website and then click again on the link to "SEC Insider Filings."
Corporate Governance Information:	Click on the link to "Corporate Governance" in the "Investors & Media" section of the website.

Except for any documents on our website that are expressly incorporated by reference into this report, the information contained on our website is not incorporated by reference into this report and should not be considered to be a part of this report. Our website address is included in this document as inactive textual references only.

Information Incorporated by Reference

The SEC allows us to "incorporate by reference" some information from parts of other documents filed with the SEC, including:

our Annual Report to Stockholders for our 2008 fiscal year, which we refer to in this report as our "2008 Annual Report"; and

our Proxy Statement relating to our 2008 Annual Meeting of Stockholders, which we refer to in this report as our "2008 Proxy Statement."

When we "incorporate by reference," that means that we are referring you to important information in other documents that have been filed with the SEC rather than repeating that information in this report. We recommend that you refer to the information that we indicate is contained in the other documents and which is incorporated by reference into this report. The portions of our 2008 Annual Report that are incorporated by reference into this report are included as Exhibit 13 to this report.

Celera Separation

On May 8, 2008, we entered into a Separation Agreement with Celera Corporation, at that time one of our wholly-owned subsidiaries, to separate all of the business, assets, and liabilities of the Celera group from our remaining business. This separation was completed on July 1, 2008, by means of a redemption of each outstanding share of Celera stock in exchange for one share of

common stock of Celera Corp., which now holds all of the business, assets, and liabilities previously attributed to the Celera group. On July 1, 2008, following the consummation of the Celera separation, Celera Corp. became an independent, publicly-traded company whose shares are listed on The NASDAQ Stock Market under the symbol "CRA." The Applied Biosystems group became our only business and Applied Biosystems stock became our only class of outstanding common stock. In connection with the Celera separation, we changed our corporate name from Applera Corporation to Applied Biosystems Inc.

Pursuant to the Separation Agreement, we entered into agreements with Celera Corp., each dated as of July 1, 2008, including a Tax Matters Agreement and an Operating Agreement. The descriptions below of the Tax Matters Agreement and the Operating Agreement are qualified in their entirety by reference to the full text of these agreements, which are exhibits to this report.

Tax Matters Agreement

The Tax Matters Agreement with Celera Corp. governs our and Celera Corp.' s respective rights, responsibilities and obligations after the separation with respect to taxes, including ordinary course of business taxes and taxes, if any, incurred as a result of any failure of the separation, together with certain related transactions, to qualify as a tax-free exchange for U.S. federal income tax purposes within the meaning of Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, or the Code, including as a result of Section 355(e) of the Code. Under the Tax Matters Agreement, we generally will be responsible for the payment of all income and non-income taxes attributable to Celera Corp.' s operations pre-separation and Celera Corp. generally will be responsible for the payment of all income and non-income taxes attributable to Celera Corp.' s operations post-separation. In addition, we will pay Celera Corp. for certain available tax benefits resulting from U.S. federal and state tax credits and losses attributable to Celera Corp.' s business that arose prior to the separation to the extent such credits are not first utilized by us.

Notwithstanding the foregoing, under the Tax Matters Agreement, Celera Corp. also generally will be responsible for any taxes imposed on us that arise from the failure of the separation, together with certain related transactions, to qualify as a tax-free exchange for U.S. federal income tax purposes within the meaning of Sections 355 and 368(a)(1)(D) of the Code, if such failure to qualify is attributable to actions, events or transactions relating to Celera Corp.' s stock, assets or business, or a breach of the relevant representations or covenants made by Celera Corp. in the Tax Matters Agreement. In addition, Celera Corp. generally will be responsible for a percentage of any taxes that arise from the failure of the separation, together with certain related transactions, to qualify as a tax-free exchange for U.S. federal income tax purposes within the meaning of Sections 355 and 368(a)(1)(D) of the Code, if such failure is for any reason for which neither Celera Corp. nor we are responsible. Under the Tax Matters Agreement, Celera Corp. will also be required to indemnify us for a portion of our tax cost resulting from our and Celera Corp.' s entering into an intellectual property supply agreement and other intellectual property license agreements in connection with the separation. The Tax Matters Agreement also imposes restrictions on our and Celera Corp.' s ability to engage in certain actions and sets forth our and Celera Corp.' s obligations with respect to the filing of tax returns, the administration of tax contests, assistance and cooperation and other matters.

Operating Agreement

The Operating Agreement includes operating principles that govern our and Celera Corp.' s conduct concerning, and use of, specified instruments and other technologies that were

utilized by one or both of the Applied Biosystems and Celera groups prior to the separation. A summary of these operating principles is set forth below.

Instruments

Celera Corp. will have continued access to our capillary electrophoresis, or CE, sequencers and associated consumables as they had been provided by the Applied Biosystems group prior to the separation in connection with the alliance with Abbott Laboratories. Celera Corp. will also have access to our current and future CE sequencers and associated consumables in the same manner as our other customers. We expect that Celera Corp. will develop a new U.S. Food and Drug Administration, or FDA, compliant diagnostic instrument based on our CE technology. Celera Corp. will pay the costs of developing this new instrument, including any incremental costs that we incur.

We will be permitted to sell our CE sequencers to any end-user for any purpose. We will also be permitted to sell our CE sequencers as an original equipment manufacturer, or OEM, except that we will not be able to OEM the CE sequencers for commercialization of human diagnostic tests for specified conditions for a period of three years after the date of the separation outside of Asia, Africa, the Middle East, and South America. We will generally not ourself commercialize these same tests anywhere in the world, or enter into an agreement with a third party to co-promote or co-market CE sequencers to be used with these same tests outside of Asia, Africa, the Middle East, and South America, for the same three-year period.

We will be the preferred supplier of Celera Corp.' s next generation real-time instrument. If we and Celera Corp. are unable to agree on terms for this instrument, Celera Corp. will be given access to our intellectual property to the extent necessary to make or to have a next generation real-time system made for Celera Corp. by a third party.

There will be no restrictions on development or commercialization of next generation sequencing instruments for either party. Except for the restrictions under a supply agreement between us and Abbott relating to Abbott' s *m*2000™ system, we will be permitted to sell real-time instruments to any end user for any purpose. Except as provided under the Abbott supply arrangement, we will not OEM real-time instruments to any third party for use in the human *in vitro,* meaning outside the living body, diagnostics, or HIVD, field unless the third party has obtained a license to our real-time intellectual property in the HIVD field. However, the OEM customer can not commercialize human diagnostic tests for specified conditions on these instruments for a period of three years after the date of the separation.

Reagents

In general, we will not knowingly commercialize any sequence-specific primers and probes

for incorporation by a third party product manufacturer into its human diagnostic products, or

to a clinical laboratory for performing "home-brew" human diagnostic testing

for performing testing for specified conditions for three years after the date of the separation. This restriction does not apply to Asia, Africa, the Middle East, or South America. In addition, we will

generally not ourself commercialize, directly or through a distributor, analyte specific reagents, or ASRs, or human diagnostic kits for testing the same specified conditions for a period of three years after the date of the separation.

Licensing

We and Celera Corp. will work together in licensing specified Applied Biosystems intellectual property to third parties in the HIVD field. Revenues from these licenses will be shared equally between us and Celera Corp.

Other Provisions

We will not have any rights to Celera Corp.' s proprietary diagnostic markers in the HIVD field, and there will be no restrictions on Celera Corp.' s ability to license its proprietary diagnostic marker intellectual property. Celera Corp. will not commercialize, directly or through a distributor, products in forensics and applied markets that incorporate intellectual property that we own or control, unless Celera Corp. obtains a license to the relevant intellectual property from us on standard third-party terms.

In addition, the three year time restrictions on us described above do not apply to the commercialization of a competing product acquired as part of an acquisition of a third party by us, nor would it prohibit an acquiror of us from continuing to commercialize a competing product following an acquisition.

Invitrogen Merger Agreement

On June 11, 2008, we entered into an Agreement and Plan of Merger with Invitrogen Corporation and Atom Acquisition, LLC, a direct wholly-owned subsidiary of Invitrogen. Pursuant to the Invitrogen Merger Agreement, we will merge with and into Atom Acquisition, with that entity continuing as the surviving entity and a direct wholly-owned subsidiary of Invitrogen.

Under the terms of the Invitrogen Merger Agreement, holders of Applied Biosystems stock will receive $17.10 in cash and 0.4543 shares of Invitrogen common stock for each share of Applied Biosystems stock they own. Alternatively, holders of Applied Biosystems stock may elect to receive either $38.00 in cash, or 0.8261 shares of Invitrogen common stock, for each share of Applied Biosystems stock they own, subject to proration. If the 20-day volume-weighted average price per share, or VWAP, of Invitrogen' s common stock is below $46.00 three business days prior to the close of the transaction, each holder of Applied Biosystems stock will also receive an additional cash payment of up to $2.31 with respect to each share of Invitrogen common stock it receives in the merger. The actual amount of this additional cash payment will be based on a formula set forth in the Merger Agreement, and is intended to maintain a total value of $38.00 per share of Applied Biosystems stock, for holders who are paid all or part of the merger consideration in shares of Invitrogen common stock, if the Invitrogen VWAP three business days prior to the closing is within the range of $43.69 to $46.00.

Upon completion of the transaction, Invitrogen will expand its board of directors from nine to twelve members and appoint three of our current directors to the board of Invitrogen. The parties currently expect the merger to be completed in the fall of 2008.

Completion of the Invitrogen merger is subject to conditions specified in the Merger Agreement, including (i) adoption of the Merger Agreement by the Company' s stockholders, (ii) Invitrogen stockholders' approval of the issuance of shares of Invitrogen' s common stock in the merger and approval of an amendment to Invitrogen' s certificate of incorporation to increase the number of authorized shares of Invitrogen' s common stock, (iii) the effectiveness of Invitrogen' s registration statement on Form S-4 with respect to the merger and the issuance of Invitrogen' s common stock in the merger, and (iv) the receipt of approval for the European Community Merger Regulation as well as certain other foreign antitrust or competition laws.

We and Invitrogen have each made customary representations, warranties, and covenants in the Merger Agreement, including, among others, that (a) each of we and Invitrogen will cause a meeting of its stockholders to be held to consider the adoption and approval of the Merger Agreement and approval of Invitrogen' s issuance of its common stock in the merger, respectively, and (b) our and Invitrogen' s boards of directors will recommend that their stockholders adopt and approve the Merger Agreement and approve Invitrogen' s issuance of its common stock in the merger, as applicable, subject to some exceptions applicable to us specified in the Merger Agreement.

The Merger Agreement may be terminated under certain circumstances, including, subject to the terms of the Merger Agreement, if our Board of Directors determines to accept an unsolicited "superior proposal" (as that term is defined in the Merger Agreement). The Merger Agreement provides that, if the Merger Agreement is terminated under certain circumstances, we or Invitrogen will be required to pay the other a termination fee of $150 million.

The foregoing description of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement. The Merger Agreement, which is included as an exhibit to this report, provides investors with information regarding its terms and contains representations and warranties of each of us and Invitrogen. The assertions embodied in those representations and warranties are qualified by information in a confidential disclosure schedule delivered in connection with the signing of the Merger Agreement but which is not part of the exhibit. The disclosure schedule contains information that modifies, qualifies, and creates exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, certain representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from what might be viewed as material to stockholders, or may have been used for purposes of allocating risk between the respective parties rather than establishing matters as facts. Investors should read the Merger Agreement together with the other information concerning us and Invitrogen that each company publicly files in reports and statements with the United States Securities and Exchange Commission.

Scientific Background

All living organisms contain biological molecules. The most numerous are in the categories of: nucleic acids, which include DNA and RNA; proteins; carbohydrates; and lipids. Biological molecules are typically much larger and more complex than common molecules, and there is a wide diversity in the types of biological molecules present in living organisms. These characteristics make the analysis of biological molecules significantly more complex than the analysis of smaller compounds. Key advances in therapeutics have often come from an understanding of either proteins or DNA.

DNA molecules provide instructions that ultimately control the synthesis of proteins within a cell, a process referred to as gene expression. DNA molecules consist of chemical subunits, called nucleotides, bound in two long strands formed by a chemical "backbone" made up of sugar and phosphate molecules. There are four nucleotides in DNA – adenine, cytosine, guanine, and thymine – often abbreviated with their first letters A, C, G, and T and often referred to as bases. In a DNA molecule, the nucleotides in the two strands are bound together in pairs to form a structure that resembles a twisted ladder, which is often referred to as a double helix. The bound pairs of nucleotides, which form the rungs of the ladder, are often referred to as base pairs.

Genes are individual segments of these DNA molecules that carry the specific information necessary to perform particular biological functions including, for example, to construct particular proteins. Genes may contain from several dozen to tens of thousands of nucleotides. The entire collection of DNA in an organism, called the genome, may contain a wide range of nucleotides, including as few as 4 million nucleotides in the case of simple bacteria and 3.1 billion base pairs of nucleotides in the case of human beings. Proteins are the key biological molecules that function in all aspects of living things such as growth, development, and reproduction.

RNA molecules are similar to DNA in structure and are essential for biological function through a number of biochemical activities within the human body. There are different types of RNA molecules, each of which has a different function. For example, messenger RNA, or mRNA, the most widely understood form of RNA, acts as an intermediary between DNA and protein, transcribing the genetic code from DNA into proteins. Another example is microRNA, or miRNA, a class of small RNA molecules discovered by scientists during the last few years which are thought to regulate the activity of more than half of all known genes. Several research groups have provided evidence that miRNAs may act as key regulators of processes such as cell proliferation and differentiation, apoptosis, or cell death, and fat metabolism.

Principally driven by the "biotechnology revolution" and the increasing focus on DNA, researchers are developing a better understanding of DNA' s role in human disease. An increased appreciation of how DNA ultimately determines the functions of living organisms has generated a worldwide effort to identify and sequence genes of many organisms, including the genes that make up the human genome. We believe the best scientific evidence to date indicates that the number of genes in the human genome that code for proteins is between 25,000 and 30,000. The study of genes and other genetic material of organisms is now commonly referred to as genomics.

The field of genomics research generally includes three broad categories of analysis, consisting of sequencing, genotyping, and gene expression studies:

Sequencing is performed to determine the exact order of the individual nucleotides in a DNA strand. Sequencing was used to identify the nucleotides in the entire human genome and other species. It has also been used to identify naturally occurring genetic variations in the human genome, which are referred to as single nucleotide polymorphisms, or SNPs. Scientists believe that SNPs can be correlated with, for example, susceptibility to disease, disease prognosis, therapeutic efficacy, and therapeutic toxicity, and therefore may have diagnostic or therapeutic utility.

Genotyping is performed to determine a particular sequence variant of a gene and its particular association with an individual' s DNA. Genotyping is not performed to determine the complete structure of the gene, but rather is performed to determine if

the particular DNA sequence variant, typically a SNP, can be associated with, for example, susceptibility to a particular disease or response to a particular drug.

Gene expression is performed to determine whether a particular gene is expressed, or present, and in some cases at what levels, in a relevant biological material. This analysis can be used, for example, to measure and compare gene activity in various biological samples, such as samples from populations of healthy and diseased individuals, or from populations at different stages of disease development. These types of studies may be useful in the development of diagnostic tests and therapeutic treatments.

As researchers learn more about DNA and RNA, they are also developing a better understanding of the role of proteins in human disease through efforts in the field of proteomics, the study of proteins expressed, or coded, by genes. Proteins are the products of genes and, along with gene expression and modification, are believed to be key drivers and mediators of cellular function and biological system activity. Proteins are large biological molecules made up of peptides, and peptides are made up of amino acids chemically linked together in long chains and frequently modified by the addition of chemical units such as “carbohydrate groups” or “phosphate groups.” The understanding and treatment of disease today involves the study of genes and the proteins they code for, and frequently involves the measurement of a drug’ s ability to bind to specific proteins in the body.

Although DNA contains the code for proteins, scientists have discovered that the body may modify proteins after they have been made in cells. These modifications, referred to as post-translational modifications, can alter a protein’ s function, leading to changes in the biological reactions that take place in cells, which researchers refer to as biological pathways. These post-translational modifications complicate the study of proteins, because scientists studying proteins and seeking to understand their role in health and disease need to know more about the characterization of proteins than just their amino acid sequence, which comes from their genetic, or DNA, code.

We believe that gene and protein research will increase as companies in the pharmaceutical and biotechnology industries seek to improve their drug discovery and development efforts. We also believe that ongoing drug discovery and development efforts will increase research of cells as researchers seek to further understand how drugs work in the body.

The growth in DNA, protein, and other life science research has created the need for systems that facilitate the collection, organization, and analysis of the large amounts of data generated by this research. This demand has led to the development of the science of bioinformatics. The science of bioinformatics seeks to blend biology and computing to transform massive amounts of data into useful information.

Products for the Molecular Biology Market

Customers in the molecular biology market use systems for the analysis of nucleic acids including DNA and RNA. We have developed technologies, instrument systems, and consumables products that address the needs of a wide array of applications within this market, including for example: basic research; pharmaceutical and diagnostic discovery and development; biosecurity testing, including infectious disease analysis; human identity testing, including forensic and paternity testing; and food and environment quality and safety testing. These technologies,

systems, and consumable products support key methods of analysis, including DNA sequencing, genotyping, and gene expression studies, which are described in further detail above in Item 1 of this report under the heading "Scientific Background."

PCR and Real-Time PCR Systems and Related Consumables

Polymerase chain reaction, commonly referred to as PCR, is a process in which a short strand of DNA is copied multiple times, or amplified, so that it can be more readily detected and analyzed. Our PCR product line includes amplification instruments, known as thermal cyclers, several combination thermal cyclers and PCR detection systems, known as real-time PCR systems, and reagents, disposables, and software necessary for the PCR amplification and detection process.

The following table lists the thermal cyclers that we offer:

Instrument	Capacity/ Speed
9800 Fast PCR System	96 well/Fast
GeneAmp® PCR System 9700 Thermal Cyclers	60, 96, Dual 96, and Dual 384 well
Applied Biosystems 2720 Thermal Cycler	96 well
Veriti™ 96-Well Fast Thermal Cycler	96 well/Fast

Technologically, these instruments are distinguished among each other primarily based on: their capacity for simultaneously processing multiple samples, determined based on the number of consumable "wells" that can be accommodated; the speed at which the thermal cycling process is completed; and features supporting the development of experimentation protocols to increase the accuracy and efficiency of the PCR process. The Veriti thermal cycler uses our first-of-its-kind Veriflex™ Blocks temperature-control technology, which allows users to simultaneously control the temperature in six separate blocks within the thermal cycler to determine the optimum temperature protocols for the particular sample being copied. This temperature control technology differentiates the Veriflex Blocks from current gradient technologies offered by other companies, which less-precisely regulate gradients of temperature across a single block within the instrument.

The following table lists the PCR systems that we offer:

Instrument	Capacity/ Speed
Applied Biosystems 7900HT Real-Time PCR System	96 or 384 well/Fast
Applied Biosystems 7500 Real-Time PCR System	96 well/Available as Fast
Applied Biosystems 7300 Real-Time PCR System	96 well
StepOne™ Plus Real-Time PCR System	96 well/Fast
StepOne™ Real-Time PCR System	48 well/Fast

All of these real-time PCR instruments are enhanced versions of our thermal cyclers, which are described above. However, unlike a general PCR instrument, which is used only to amplify a sample, these instruments are used to detect and for some applications quantify a sample during the PCR amplification process for purposes of conducting, for example, gene expression or genotyping analysis. Technologically, these instruments are distinguished among each other primarily based on: their capacity for simultaneously processing multiple samples, determined based on the number of consumable "wells" that can be accommodated; the speed at which the detection and quantification process is completed and the level of automation; and the applications for which the instruments can be used.

The model 7900HT Fast system and the model 7500 Fast system are our most advanced real-time PCR systems, and can complete the detection and quantification process substantially faster than other instruments that we offer. The model 7900HT systems can incorporate optional robotics to enable large-scale gene expression and genotyping studies. The StepOne™ and higher capacity StepOne™ Plus systems were developed in response to demand for highly functional but easy to use and less expensive real-time PCR systems. The StepOne Plus system was added to the product line in our 2008 fiscal year.

Generally, the PCR and real-time PCR product lines are designed to offer instruments suitable for use by a wide range of users, from individual researchers to research laboratories conducting high-volume research. The suitability of any particular system for any researcher or research laboratory will depend on the nature of the work being performed and the capital budget of the researcher or research laboratory. We provide servicing and customer support for the PCR and real-time PCR systems described above, as well as some previously-marketed systems that remain in use by some customers.

Our PCR product line also includes reagents and disposables for use in the PCR process. PCR reagents include specialized enzymes used to enable the PCR amplification process. Enzymes represent a class of proteins which activate biological processes. PCR enzymes are optimized to efficiently make copies of a segment of DNA while exposed to the high temperatures required by the PCR process. We offer a range of products containing these PCR enzymes. These include products for use in general PCR, as well as special formulations designed for real-time PCR applications. Disposables include plastic devices which are used to hold DNA samples and PCR reagents throughout the PCR amplification process. A number of different disposable devices are available for use with our full range of PCR and real-time PCR instruments.

Our real-time PCR systems enable TaqMan® chemistry, a unique PCR technology that can be used both for measurement of gene expression and for genotyping. TaqMan gene expression chemistry detects the product of PCR amplification and quantifies the amount of the target gene sequence present in the sample during the amplification process. This technique is referred to as quantitative real-time PCR. The real-time PCR systems analyze a sample by measuring fluorescence resulting from the reaction of the TaqMan chemistry and the sample. This product line has been widely accepted in the scientific research market. Our TaqMan Gene Expression Assays and SNP Genotyping Assays are TaqMan chemistry-based assays designed for use on our real-time PCR systems. These products are described below under the heading "Products for the Molecular Biology Market- Genomic Assays." TaqMan chemistry is our most sensitive and specific method for real-time PCR. However, our real-time PCR systems also support some other commonly used real-time PCR methods and we provide reagents to enable those other methods.

We offer a proprietary TaqMan Array, which was jointly developed with 3M Company, and a modified version of our model 7900HT system to support the TaqMan Arrays for real-time PCR applications. The TaqMan Arrays are consumable laminated plastic and metal sheets containing 384 fluid channels and wells, sometimes referred to by scientists as microfluidic cards. They are designed for use instead of plastic trays with sample wells generically referred to as microtiter plates, which are used in many types of laboratory analyses, including gene expression or genotyping studies on our instruments. The fluid channel design of the TaqMan Arrays enables researchers to automatically route a sample to the reaction wells rather than doing this by hand or using expensive and complex robotics as is required when using microtiter plates. We offer the TaqMan Arrays pre-loaded with our inventoried human, mouse, and rat TaqMan Gene Expression Assays. Using an on-line ordering system, customers can select the assays to be pre-loaded onto,

as well as the configuration of those assays on, the TaqMan Arrays. We also offer a limited selection of inventoried TaqMan Arrays that are pre-loaded with a fixed panel of gene expression assays. For example, we offer Gene Signature Panels used to detect and quantify the expression of difficult-to-detect genes that we believe are important to the drug research needs of the pharmaceutical industry. We also offer Human and Rodent MicroRNA Panels used to identify and quantify some of the most prevalent microRNAs. Our TaqMan assays are described below under the heading "Products for the Molecular Biology Market- Genomic Assays."

Genomic Assays

Our genomic assays are chemical tests used to measure a DNA or RNA target. A genomic assay combines a set of pre-selected oligonucleotides, sometimes referred to as oligos, which are synthetic single-stranded pieces of DNA, with other analytical reagents that allow a researcher to measure differences between samples of genetic material. This product line includes the following types of assays:

Gene expression assays, which are chemical tests used to measure how much messenger RNA, or mRNA, is being produced from a specific gene in the cells of a tissue sample.

MicroRNA assays, which are gene expression assays used for the detection and quantitation of a particular type of RNA referred to as microRNA.

Genotyping assays, which are chemical tests used to measure the presence or absence of a specific genetic sequence variation or mutation among DNA samples from different populations that can be used to correlate genetic traits with physical traits such as disease susceptibility or drug response. The sequence variants that our genotyping assays test for are referred to as single nucleotide polymorphisms, or SNPs.

The following table provides further detail on the assays that we offer. These assays are designed to be used with our TaqMan® chemistry-based real-time PCR systems, and some of them can be ordered on the TaqMan® Arrays, which are discussed above in this description of our business under the heading "PCR and Real-Time PCR Systems and Related Consumables."

Gene Expression Assays	Description
TaqMan® Gene Expression Assays (Inventoried)	Ready-made gene expression assays that can be ordered from our inventory
TaqMan® Gene Expression Assays (Made to order)	Pre-designed gene expression assays that can be made to order
Custom TaqMan® Gene Expression Assays	Service for the manufacture of custom TaqMan chemistry-based gene expression assays based on targets supplied by researchers
TaqMan® MicroRNA Assays	Ready-made microRNA expression assays that can be ordered from our inventory

SNP Genotyping Assays	Description
TaqMan® Pre-Designed SNP Genotyping Assays	Pre-designed SNP genotyping assays that can be made to order
Custom TaqMan® SNP Genotyping Assays	Service for the manufacture of custom TaqMan chemistry-based SNP genotyping assays based on targets supplied by researchers
TaqMan® Drug Metabolism Genotyping Assays	Ready-made SNP genotyping assays specifically targeting genes involved in drug metabolism that can be ordered from our inventory

Our library of ready-made and pre-designed SNP genotyping and gene expression assays includes millions of human SNP genotyping assays and almost one million gene expression assays for the human, mouse, rat, Arabidopsis (plant), Drosophila (fruit fly), C. elegans (worm), Rhesus (monkey), zebrafish (fish), canine (dog), and bovine (cow) genomes. The ability to study the mouse and rat genomes is important to researchers involved in, for example, therapeutic research and development. Mice and rats have genes that are believed to correspond to human genes and the results of disease research or safety, toxicology, or other studies on mice or rats may therefore be correlated to humans with corresponding genetic characteristics. The other species for which we provide assays are also scientifically important model organisms, used in for example medical, agricultural, plant science, or other research. We continue to evaluate the addition of other species based on research needs.

The microRNA assays product line currently includes over 1,500 human, mouse, rat, Arabidopsis, Drosophila, and C. elegans miRNA assays. Currently, all of these assays are based on sequences in the Wellcome Trust Sanger Institute miRNA Registry, which is the industry standard reference miRNA database. We offer some of these assays as fixed panel TaqMan Arrays.

The availability of our genomic assays offers advantages to researchers, particularly those who might otherwise seek to design and then prepare assays on their own, a relatively time consuming and expensive process. We believe that the use of our assays can reduce experiment setup time, decrease assay cost, and accordingly facilitate experiments with many genes in parallel. Also, the use of sets of standard and validated assays facilitates comparisons of data between laboratories.

CE Instruments and the SOLiD™ System Next Generation Sequencing System

Our genetic analysis instruments include our capillary electrophoresis, or CE, instruments and our new SOLiD™ System. Our CE instruments have been used extensively to obtain the DNA sequence of the human genome and the genomes of other species and to identify SNPs and other

genetic mutations. With the completion of human genome sequencing and the completion of the sequencing of other important genomes, we believe that researchers are transitioning to performing an increasing amount of resequencing, which is also referred to by some researchers as medical or directed sequencing or resequencing. Resequencing involves the sequencing of a selected segment or segments of a genome, such as a pre-selected set of genes, in one or more organisms after a reference genome for that organism has been determined. The DNA sequence information of these organisms is then compared to the known reference sequence to determine whether any genetic variations are present. Scientists may use this information, for example, to better understand the causes and prevention of disease, facilitate the development of better and more targeted therapies and diagnostics, and understand individual response to treatment. This may be particularly true with a disease such as cancer, which scientists are finding to be associated with a large number of unique DNA mutations that may not be identified using commercially-available genotyping tools, including ours.

We expect that our CE genetic analysis instruments and associated systems and consumables will continue to service a diverse range of genetic applications for the foreseeable future. We believe that the technology will remain vital for some existing applications such as medical sequencing, forensics, and quality and safety testing. However, CE genetic analysis instruments generally are subject to inherent technological limitations that restrict the extent to which the speed, capacity, and cost-efficiency of the genetic analysis can be increased. Accordingly, for some potential applications CE genetic analysis is not well suited or cannot be performed and a faster, higher throughput, and more cost-effective technology is needed. As a result, within the scientific community and molecular biology industry there has been increasing interest and investment in the development of so-called "next-generation" sequencing technologies that meet the needs of these applications without sacrificing the quality of analytical results. Scientists and researchers sometimes refer to the ultimate goal of these efforts as being the "$1,000 genome," which is the ability to sequence the entire genome of an individual person at a cost of $1,000.

CE Instruments. CE instruments use electric current to draw molecules through a separation medium, for example a liquid, direct a laser at the molecules being drawn through the liquid, and then use an optical device to detect the light emitted by fluorescent tags with varying colors that have been attached to the molecules being analyzed. We offer systems that incorporate advanced CE sequencing technology that we believe represent the leading industry standard for high-throughput CE sequencing. We offer the following CE genetic analysis instruments, along with several sequencing chemistries optimized for various customer requirements:

Instrument	Capacity
Applied Biosystems 3730*xl* DNA Analyzer	96 capillaries
Applied Biosystems 3730 DNA Analyzer	48 capillaries
ABI PRISM® 3130*xl* Genetic Analyzer	16 capillaries
ABI PRISM® 3130 Genetic Analyzer	4 capillaries
ABI PRISM® 310 Genetic Analyzer	1 capillary

Technologically, these systems are distinguished among each other primarily based on their sequencing capacity and level of automation, with the 3730*xl* being the highest capacity instrument with the most automation. The sequencing capacity, or throughput, is determined primarily by the number of capillaries, each of which can be used to simultaneously analyze a separate DNA segment. The product line includes instruments suitable for use by a wide range of users, from individual researchers to research laboratories conducting high-volume research. The

suitability of any particular instrument for any researcher or research laboratory will depend on the nature of the work being performed and the capital budget of the researcher or research laboratory. Although it does not incorporate our advanced sequencing technology, we continue to offer the one capillary model 310 Genetic Analyzer because it continues to be a cost-effective choice for small laboratories or individual researchers that do not require a high-throughput instrument or do not have a budget for a more expensive instrument. We provide servicing and customer support for all of these instruments, as well as some previously-marketed instruments that remain in use by some customers.

We offer several products for use with our genetic analysis instruments to enable particular applications. For example, we offer the SNPlex™ Genotyping System to perform genotyping studies. The system uses multiplexing, a scientific term that refers to multiple reactions in a single tube or well, to rapidly identify large numbers of target SNPs in a single biological sample. This system can be used with the Applied Biosystems 3730, 3730*xl,* and 3130*xl* DNA Analyzers to perform studies based on customers' own customized set of reference SNPs. The suitability of SNPlex for any particular researcher or research project, compared to our real-time PCR-based genotyping systems and products, depends on several factors, including the type of study being performed, scientific requirements, access to the needed instrumentation, and cost considerations.

SOLiD™ System Next Generation Sequencing. During our 2008 fiscal year, we commercially launched the SOLiD™ System, our next-generation sequencing system that arose from our fiscal 2007 acquisition of Agencourt Personal Genomics. We announced the formal launch of the system in October 2007, and then launched an upgraded version of the system in May 2008 that enables customers to more than double the throughput while reducing run times as compared to the original system. Also in May, we announced a collaboration with the Wellcome Sanger Institute to study cancer genomics using the SOLiD System.

The SOLiD System offers a substantial increase in throughput and reduction in relative cost as compared to CE genetic analysis. In March 2008 we announced that we had sequenced a human genome for under $60,000 in reagent costs, setting a new standard for experimental value. Although the SOLiD System is not at this time the $1,000 genome solution, we are continuing to seek ways to improve the system and bring it closer to this goal. We believe that our SOLiD System offers the highest throughput and accuracy of any next-generation sequencing system commercially available today. The capabilities of the SOLiD System are particularly suited for the study of complex diseases like cancer, which is characterized by a wide range of genetic variation and chromosomal abnormalities.

We believe that the SOLiD System will be complementary to our CE genetic analysis instruments because it will enable applications that could not be performed by CE instruments or for which CE instruments are not well suited because of their technological limitations. Also, the new SOLiD System has been designed for very high-throughput applications and the cost-efficiencies expected from its use may not be realized for lower-throughput applications. Thus, we think for the next several years users will be primarily genome centers, large academic labs, academic core labs, and commercial service labs. However, we do not expect the new technology to be used exclusively for new applications or only by these high-volume users, and thus believe that for some users of CE genetic analysis and for some existing CE applications the new system will be preferred and used instead of CE genetic analysis.

RNA Consumables and RNAi

We offer a broad range of products for the study and analysis of RNA and its role in disease development and progression. This product line was substantially expanded with our fiscal 2006 acquisition of the Research Products Division of Ambion, Inc., and is now marketed under the Ambion brand name. The product line includes reagents associated with RNA interference, referred to as RNAi, and products for the analysis of microRNA, referred to as miRNA. These products are used to study the gene expression process and could lead to advances in human healthcare, possibly forming the basis of future therapeutic or diagnostic products. In April 2008, we announced the development of a set of analysis tools to help researchers profile expression levels of human, mouse, and rat miRNAs from trace amounts of sample. These new tools may be particularly useful in advancing the study of cancer, in which miRNAs are believed to play a critical regulatory role. Cancer researchers are often faced with the challenge of being able to obtain only tiny amounts of RNA from cancerous samples. The new tools, TaqMan® microRNA Arrays and Megaplex™ Pools, were released for sale in August 2008.

The Ambion product line also includes: sample preparation products, used for example to isolate and purify RNA before analysis; reagents used to convert an RNA sample into DNA, a process referred to as reverse transcription, which is often a necessary step for RNA analysis; and reagents for PCR amplification, or copying, which is often necessary so that researchers have enough sample to perform their desired analysis on small or limited samples, like tumor biopsies or blood stains. Many of the Ambion brand products can be used in combination with our other products as part of a workflow solution to solve cost, speed, or other difficulties encountered by some researchers in laboratory experimentation and analysis.

RNA interference, or RNAi, refers to the use of specialized reagents to limit or restrict the translation of the genetic code from RNA into proteins by degrading the messenger RNA molecule prior to its translation. Using products such as small interfering RNA, sometimes denoted as siRNA, scientists can reduce, or “silence,” the expression of a particular gene in mammalian cell systems, in some instances by 90% or more. Gene silencing induced by siRNA is widely used by researchers to analyze the effect that the silenced gene has on cellular function. Some researchers are also studying whether gene silencing could be used for therapeutic purposes.

MicroRNA, or miRNA, is a class of small RNA molecules discovered by scientists during the last few years which are thought to regulate the activity of more than half of all known genes. Researchers also believe that some individual miRNAs may regulate the activity of multiple genes. Several research groups have provided evidence that miRNAs may act as key regulators of processes such as cell proliferation and differentiation, apoptosis, or cell death, and fat metabolism. The Ambion RNA product line includes sample preparation products used by researchers to isolate microRNA molecules prior to analysis with our TaqMan® MicroRNA Assays.

DNA Synthesis

Oligonucleotides, sometimes referred to as oligos, are synthetic single-stranded pieces of DNA that are essential for PCR and DNA sequencing and some drug discovery applications. DNA synthesis is needed by companies performing high-throughput synthesis as a service as well as by individual laboratories that synthesize DNA for their own use. We sell reagents used for the DNA synthesis process and we provide custom synthesis services, whereby oligonucleotides are made to order and shipped to customers.

Products for the Cell Biology Market

We have developed, and expect to continue developing, products used for the study of cell and biological molecule function. These products are intended for use by researchers studying the complex biological reactions that take place within and between cells, which researchers refer to as biological pathways, and how these pathways relate to human disease. These studies are needed in a variety of fields, including in particular drug discovery and development. This product line includes Tropix® chemiluminescent reagent products used by researchers studying cell function. Chemiluminescence is the conversion of chemical energy stored within a molecule into light, and the detection of chemiluminescence is another technology used to study cellular function. This technology also has other applications, and we use it in some of our products for the molecular biology market and we license it to others for adaptation for various types of diagnostic tests and drug discovery assays. These chemiluminescent-based tests and assays can be used in combination with a variety of detection instruments.

Products for the Proteomics Market

Differences in the types or amounts of specific proteins in biological systems are thought to be one of the primary differences between healthy and diseased systems or organs. A majority of drugs to treat human disease bind to and affect proteins. Customers in the proteomics research market need systems for the analysis of proteins and the peptides that make up proteins for the purpose of discovery of drug targets, protein therapeutics, and diagnostics. Through a joint venture with MDS Inc., we have developed products for the identification, characterization, and measurement of expression of proteins and peptides. Our joint venture and our products for the proteomics market are described in the following paragraphs.

Mass Spectrometry

Mass spectrometry has become very useful for the analysis of large molecules of biological importance such as proteins. Analysis of proteins and other molecules by mass spectrometry involves the very accurate measurement of the mass, or size, of components in a sample, such as the measurement of the multiple different peptides that make up a protein of interest. The sensitive electronics of mass spectrometry instruments can measure fine differences in very small quantities of complex samples having multiple components. Mass spectrometry instruments incorporate the following key technological processes:

A sample preparation process called ionization to electrically charge the molecules for analysis. We sell instruments with ionization by either a laser based system called MALDI, which refers to matrix assisted laser desorption ionization, or a high voltage electric system called ESI, which refers to electrospray ionization.

Mass analysis and detection, which involves the separation and electronic measurement of the mass of molecules and the measurement of the relative amounts present. We have a variety of mass analysis technologies which separate and measure the mass of molecules in a sample. These include TOF, which refers to time of flight, which measures mass based on flight time in an electric field under vacuum; and quadrupole or quad, and linear ion trap, both of which measure mass using radio frequencies and electric charges though using related but different technologies.

Mass spectrometry instruments are often referred to or named based on their sample preparation and mass analysis technologies. For example, a "MALDI TOF" instrument is an instrument that uses MALDI to charge molecules for analysis and TOF for mass analysis. Also, mass spectrometry instruments are often referred to or named based on whether they are connected to liquid chromatography separation devices, which are used for sample preparation before analysis using mass spectrometry. For example, an "LC/MS" system is a liquid chromatography device connected directly to a mass spectrometry instrument, and an "LC/MS/MS" system is a liquid chromatography device coupled with tandem mass spectrometry instruments. Tandem mass spectrometry enables a more detailed and accurate analysis of the components of the molecules being studied. The market for mass spectrometry is served by a wide range of instrument types, based on a variety of technologies for both ionization and mass analysis, which are combined together in different combinations in different instruments.

Currently, all of our mass spectrometry systems for the proteomics market are manufactured and sold through Applied Biosystems/MDS Analytical Technologies Instruments, formerly named Applied Biosystems/MDS SCIEX Instruments, a 50/50 joint venture between us and MDS Inc. of Canada. This joint venture supplies a broad family of mass spectrometry products for the proteomics market, and some of its instruments are also used for small molecule analysis, which is described below in this description of our business under the heading "Products for the Small Molecule Analysis Market."

The Applied Biosystems/MDS Analytical Technologies Instruments joint venture was originally formed in 1986 and renewed in 2001 for a term to expire on October 31, 2011. The joint venture agreement includes provisions for earlier termination at the election of a partner for events such as those resulting from material breaches, a disagreement over a fundamental issue requiring consent of both partners, or a partner becoming subject to the control of another entity through acquisition or merger (including possibly the pending merger with Invitrogen). Under the agreement, notwithstanding the expiration of the term or early termination, the affairs of the partnership shall continue with respect to all products developed prior to expiration or termination, or for any products whose development can be completed within one year following expiration or termination. Such products will continue to be manufactured and sold (and the profits and losses divided equally by the partners) for the life of the products, and the partnership agreements governing purchase and distribution of the products shall be deemed to continue in full force and effect.

Originally, the joint venture covered only LC/MS systems, but during our 2005 fiscal year the parties amended the joint venture agreement to expand the joint venture to also include MALDI TOF systems, a product line that previously had been manufactured and marketed by us independent of the joint venture. Under the terms of the amended joint venture agreement, MDS is responsible for manufacturing these LC/MS and MALDI TOF systems, and we are the exclusive distributor of these systems, with responsibility for sales and marketing and service and support. The two companies conduct separate but coordinated research and development activities for these systems. In consideration for the amendment to the joint venture and our contribution of MALDI TOF assets, we received, among other things, $8 million in cash and a $30 million promissory note, which is payable in five annual installments beginning in October 2006.

Pursuant to agreed upon procedures, the parties to the joint venture conduct coordinated activities with respect to the development, manufacture, marketing, sale, service, and support of our mass spectrometry systems under the supervision of co-managers, who are senior executives of each partner. The coordinated activities include the sharing of internal technical and business

results and the establishment of collaborations with third parties regarding the technology and instrumentation that the joint venture products will use. Under the profit sharing arrangement of the joint venture, each partner tracks its costs associated with the functions and activities performed on behalf of the venture. Such costs are reconciled on a regular basis and applied against revenues generated by the partnership, with resultant profits or losses being shared equally by the partners.

The following table summarizes the mass spectrometry instruments for the proteomics market offered by the Applied Biosystems/MDS Analytical Technologies Instruments joint venture:

Instrument Name	Ionization	Mass Analyzer
4800 Plus MALDI TOF/TOF™ Analyzer	MALDI	TOF/TOF™ Optics
QSTAR® Elite LC/MS/MS System	ESI or MALDI	Hybrid quad/TOF (often referred to as a Qq-TOF)
4000 Q TRAP® LC/MS/MS System	ESI	Hybrid quad/linear ion trap
3200 Q TRAP® LC/MS/MS System	ESI	Hybrid quad/linear ion trap

Technologically, these systems are distinguished primarily based on their: sensitivity, or ability to identify very small quantities of molecules within a sample; resolution, or ability to distinguish among several different types of molecules within a complex sample; mass accuracy, or ability to accurately quantify or determine the mass of the molecules being studied; throughput; and overall ease of use. These systems offer a range of these quantitative and qualitative performance characteristics in different combinations and at varying costs. The product line includes systems that are suitable for a wide range of proteomics applications and users, from individual researchers to large research laboratories. The suitability of any particular system for any researcher or research laboratory depends on the nature of the work being performed and the capital budget of the researcher or research laboratory. Several of these instruments incorporate proprietary advanced technologies that result in industry-leading performance characteristics for some applications.

In addition to the range of mass spectrometry instruments and software used to operate those instruments, we have developed and commercialized various reagent products used with mass spectrometry to identify and quantify amino acids, peptides, and proteins. These products label particular types of molecules with a chemical marker which can be detected in the mass spectrometry process. The product line includes ICAT®, iTRAQ™, and mTRAQ™ reagents and Amino Acid quantification kits. These products have varying capabilities that make them suited to particular types of research or experimentation. The mTRAQ reagents and Amino Acid kits were added to the product line during our 2008 fiscal year, and we introduced a new version of the iTRAQ reagents during our 2008 fiscal year that doubled the experimentation capacity of these reagents.

Biochromatography

Biochromatography is an important step in both research applications and manufacturing of biopharmaceuticals, which refers to protein-based pharmaceutical products. Researchers studying complex protein samples through mass spectrometry must first prepare these samples and separate them into the components to be analyzed. A common and important technique for the separation, and in some cases purification, of biological molecules is generally referred to as biochromatography, a process by which molecules are separated according to one or more of their physical properties such as their size, shape, electric charge, or affinity to other molecules.

Our biochromatography media products are used in liquid chromatography. Liquid chromatography is a process that separates molecules by passing them, in a liquid, across a stationary or solid medium such as chemically modified plastic beads specially designed for this process. Separation occurs because different molecules, which have different affinities to the beads, will migrate, or pass, across the beads at different rates.

Our biochromatography media products, such as POROS® beads, are used in the proteomics discovery process and in the development and manufacturing of biopharmaceuticals. We believe that our biochromatography products offer productivity advantages, enabled by high speed separation combined with high capacity and resolution, over competitive product offerings. This product line includes our POROS® MabCapture™ A Media, a bead which can substantially increase the speed and reduce the cost of the liquid chromatography process for some applications, including particularly the manufacturing of some antibody therapeutics.

Protein Sequencing and Synthesis

We manufacture and sell proprietary reagents and chemicals used to synthetically produce peptides and small proteins. Researchers use these peptides and small proteins in a variety of research and drug discovery applications. We also manufacture and sell proprietary reagents used for protein sequencing. Protein sequencing is performed to identify or characterize a given protein by chemically disassembling the protein and analyzing the amino acids that make up the protein.

We previously manufactured the 433A Peptide Synthesis system, and the Procise® Protein Sequencing system, but discontinued both of these systems during our 2008 fiscal year. We intend to sell our remaining inventory of the discontinued systems during our 2009 fiscal year, and provide customer support for existing systems for approximately 5 years.

Products for the Small Molecule Analysis Market

We have a number of mass spectrometry products that analyze small molecules both quantitatively and qualitatively for life science research and other applications. The small molecules studied are typically smaller than peptides and include, for example:

some drugs;

drug metabolites, the compounds resulting from the body’ s acting upon a drug, and present in bodily fluids such as blood or urine;

other small biological molecules found naturally in the human body such as hormones, which affect physiological activity by sending signals to cells and organs, and cholesterol, which the body uses, for example, to build cells and produce hormones; and

various trace contaminants in foods, beverages, or the environment.

Small molecule analysis is particularly important for pharmaceutical development, but is also necessary for other applications such as some food, beverage, and environmental testing and human forensic and toxicology testing. In early stages of drug discovery, researchers need to identify drug metabolites, a process that requires instruments that have good resolution, which is

the ability to distinguish among several different types of molecules within a complex sample, and mass accuracy, which is the ability to accurately quantify or determine the mass of the molecules being studied. In later stages of drug discovery, researchers need to study drug metabolism and pharmacokinetics, the measurement of the bodily absorption, distribution, metabolism, and excretion, or elimination, of drugs. Pharmacokinetic analysis requires instruments that have a high sensitivity, or the ability to accurately detect and quantitate very small quantities of molecules within a sample, because the amounts of the drugs and their metabolites are very low and the mixtures are very complex. Researchers can perform the required drug metabolism and pharmacokinetic analysis with LC/MS/MS systems that have been developed by Applied Biosystems/MDS Analytical Technologies Instruments.

The Applied Biosystems/MDS Analytical Technologies Instruments joint venture offers the following broad product line of mass spectrometry instruments for small molecule and pharmacokinetics researchers, including for the applications described above:

Instrument Name	Ionization	Mass Analyzer
API 5000™ LC/MS/MS System	ESI	Triple quad
API 4000™ LC/MS/MS System	ESI	Triple quad
API 3200™ LC/MS/MS System	ESI	Triple quad
API 2000™ LC/MS/MS System	ESI	Triple quad
QSTAR® Elite LC/MS/MS System	ESI or MALDI	Hybrid quad/TOF (often referred to as a Qq-TOF)
4000 Q TRAP® LC/MS/MS System	ESI	Hybrid quad/linear ion trap
3200 Q TRAP® LC/MS/MS System	ESI	Hybrid quad/linear ion trap
FlashQuant™ Workstation	MALDI	Triple quad

Technologically, these systems are distinguished primarily based on their sensitivity, resolution, mass accuracy, throughput, and overall ease of use. These systems offer a range of these quantitative and qualitative performance characteristics in different combinations and at varying costs. The product line includes systems that are suitable for a wide range of small molecule applications and users, from individual researchers to large research laboratories. The suitability of any particular system for any researcher or research laboratory depends on the nature of the work being performed and the capital budget of the researcher or research laboratory. The API product line offers quantitation with a range of sensitivity at varying costs, and has been widely accepted by pharmaceutical researchers. The API 5000 system is the most sensitive of the API systems and we believe it is the most sensitive triple quad mass spectrometry instrument currently available to this research market. In addition to the systems described above, the Applied Biosystems/MDS Analytical Technologies Instruments joint venture offers enhancements, including reagent kits and software, that enable particular applications on the systems or increase the performance of the systems for particular applications.

We introduced the FlashQuant™ Workstation in our 2007 fiscal year and began delivering systems to customers in March 2008. The Workstation, our newest system for this market, is a first-of-its-kind system that enables researchers to combine MALDI ionization with triple quad mass analysis. The Workstation was developed to help pharmaceutical companies increase the speed, and reduce the cost, of conducting small molecule drug and drug metabolite screening in early stage drug discovery research.

Information about the Applied Biosystems/MDS Analytical Technologies Instruments joint venture, general information about mass spectrometry instruments, and additional information about some of the instruments referred to in the table above, is set forth above in this

description of our business under the heading "Products for the Proteomics Market- Mass Spectrometry."

Applied Markets Products

We have established an Applied Markets division focused exclusively on developing and marketing products for use in some markets outside of life science research, which we refer to as applied markets. The current focus of our products for these markets, which are discussed below in further detail, is in the areas of: forensic testing and human identification; quality and safety testing, such as testing required for food and pharmaceutical manufacturing; and biosecurity, which refers to products needed in response to the threat of biological terrorism and other malicious, accidental, and natural biological dangers. We believe that there is an opportunity to leverage our experience and success in forensic testing and human identification into other applied markets. In addition, some applied markets applications require instrument platforms such as our TaqMan® chemistry-based real-time PCR systems, genetic analysis instruments, and mass spectrometry systems, and accordingly the marketing of these systems for use in applied markets is within the focus of the Applied Markets division.

Forensic Testing and Human Identification

We develop systems that are used to identify individuals based on their DNA, commonly referred to as forensic analysis. Forensic analysis is often used, for example, in criminal investigations, to identify human remains, and for paternity testing. We offer an extensive product line addressing key needs for this application, and this product line has been widely accepted by investigators and laboratories performing forensic analysis.

Our forensic analysis systems are used in criminal cases where DNA extracted from biological evidence found at the crime scene is compared with DNA from suspects or profiles stored in databases of potential suspects. The use of DNA in some criminal investigations has been shown to help solve crimes, exonerate innocent individuals, and reduce the cost of the investigation. We believe that today there is general recognition by scientific, law enforcement, and judicial organizations and institutions worldwide of the validity of the use of DNA testing and DNA databases for these purposes. This is evidenced in particular by a growing number of governmental initiatives in the U.S. and abroad to finance the analysis of DNA from crime scenes, including the existing backlog of samples from past crimes, and build databases of potential suspects. Many jurisdictions in the U.S. and in Europe have passed legislation creating mandated DNA databasing of individuals that are arrested and/or convicted of crimes. The growing recognition of the validity of the use of DNA in criminal matters is also evidenced by the increasing use of DNA analysis to exonerate individuals previously convicted of crimes by testing archived evidence.

Our AmpF ℓSTR® kit product line, the core of our forensic analysis offerings, is used to produce a genetic profile of a sample based on specific DNA fragments known as short tandem repeats, or STRs. The kit used most extensively for STR analysis and offender databasing worldwide is the AmpF ℓSTR® Identifiler® PCR Amplification Kit. We also offer other kits designed to cover standards established by authorities in particular countries or regions, such as in the European Union. We also produce kits that analyze specific types of markers within samples, such as the AmpF ℓSTR® Yfiler® PCR Amplification Kit and the MiniFiler™ PCR Amplification Kit, described below.

The AmpF ℓSTR®Yfiler™ PCR Amplification Kit is a forensic identification kit that enables forensic scientists to detect low levels of male DNA in the presence of large amounts of female DNA, a situation routinely encountered in cases of sexual assault. Identifying, segregating, and analyzing male DNA in cases involving complex evidence containing mixtures of male and female DNA has been a significant challenge for forensic analysts. The sensitivity and specificity of this kit provides an additional tool for the analysis of this type of complex evidence.

The AmpF ℓSTR® MiniFiler™ PCR Amplification Kit is the world' s first commercially available reagent kit for generating genetic profiles from aged, compromised, or damaged DNA samples. The kit was developed in response to the growing backlog of samples recovered from crime scene investigations and other instances of DNA collection in which the samples could not previously be identified because of poor sample quality. The kit is expected to enable an increase in the number of solved criminal cases, in addition to aiding in the investigation of missing person occurrences and mass disasters.

In addition to the STR product line, our forensic testing product line includes the Quantifiler® Human DNA Quantification Kit, a system designed to increase the efficiency and effectiveness of forensic analysis by providing a qualitative and quantitative assessment of DNA in a sample before forensic analysis. This assessment can be used by scientists and technicians performing forensic analysis to facilitate proper sample preparation for analysis, which can reduce the risk that analysis must be repeated. In April 2008, we began offering a new Quantifiler® Duo DNA Quantification Kit, which was developed to help improve results from sexual assault cases and other challenging samples. The kit can be used to quickly identify low amounts of male DNA present in samples containing high quantities of female DNA, which can be used to guide selection of the optimal DNA profiling chemistry kit.

In December 2007, we announced the availability of our new GeneMapper® *ID-X* software application. This software streamlines the routine review of data required for DNA analysis by automating the separation of those DNA samples that require further review by a forensic analyst from those that do not. The software was developed in response to a growing need by some law enforcement agencies to increase the efficiency of their forensic laboratories in response to the increasing numbers of DNA samples they receive for analysis.

In September 2007, we began a new service program for forensic DNA laboratories, which is intended to make it faster and easier for forensic DNA laboratories to comply with quality assurance standards and validation guidelines. Validation refers to the documented, scientific evaluation of the performance and analysis of DNA technologies that provides objective evidence to demonstrate the validity and reliability of the forensic DNA test results.

Quality and Safety Testing

Many manufacturers, including in particular those involved in the manufacture of food and pharmaceuticals, need to operate the manufacturing process in a controlled environment free of contaminants such as bacteria and fungus. These contaminants can spoil food or a drug being manufactured and can be harmful to human health. The U.S. Food and Drug Administration, or FDA, and the U.S. Department of Agriculture regulate the quality and safety standards for food manufacturers, and the FDA regulates the quality and safety standards for drug manufacturers. As a result, these manufacturers need to carefully and routinely monitor the manufacturing process, including their manufacturing environment, raw materials, and finished product, for the presence and identification of contaminants. We have developed DNA-based testing products for this

purpose, primarily for pathogens, which are a class of contaminants that are potentially lethal. In March 2008, we announced that we were expanding our presence in the food safety and testing market and planned to provide pathogen detection kits directly to food companies. We offer several different pathogen detection kits, and kits for the detection of additional pathogens are under development. In February 2008, our salmonella test became the first of our pathogen tests to receive certification from the Association of Analytical Communities. This certification is required for use of a pathogen test at a food manufacturing site.

For pharmaceutical manufacturing quality assurance and quality control, we offer the MicroSeq® Microbial Identification System to accurately characterize and identify bacteria and fungus. This product is used on one of our genetic analysis instruments to test raw materials and finished product. For the food processing market, we offer TaqMan® Pathogen Detection tests that rapidly detect food pathogens, and other tests that detect and analyze genetically modified organisms in foods. These tests operate on our TaqMan® chemistry-based real-time PCR systems.

Biosecurity

We believe there is a developing market for new products for surveillance and detection of biosecurity threats. This market is substantially dependent on government initiatives and funding, but heightened awareness of biological terrorism, combined with outbreaks of emerging infectious diseases, has caused the U.S. government to increase funding in this area in recent years.

We have developed, and expect to continue developing, products designed to detect and identify biosecurity threats. For example, we offer TaqMan® Influenza A/H5 Detection Kits. These kits are used for rapidly detecting multiple strains of avian influenza, an infectious disease that has become a substantial worldwide health concern in recent years. The tests are for use on our TaqMan® chemistry-based real-time PCR systems, and can detect an infected sample in hours rather than in the two or more days that is typically required for other more traditional testing methods. Generally, we sell these kits in major markets throughout the world other than the U.S., and sales are restricted to surveillance and research use only to comply with regulatory restrictions. In the U.S, regulatory restrictions generally prevent our sale of these kits except for a limited research use exception that is not expected to generate significant sales. Also, through a collaboration with Cepheid, we provide reagents used in assays for the detection of anthrax for use in U.S. Postal Service Biohazard Detection Systems.

LIMS Products and Services

We develop, market, and distribute software products for laboratory information management systems, often referred to as LIMS. Our principal LIMS product is referred to as SQL*LIMS®, and is offered along with several optional additional software products, some sourced from other manufacturers, which are designed to enhance its functionality for particular applications.

LIMS is used to integrate and automate research and development and manufacturing laboratories with the goal of increasing their efficiency and effectiveness. For some laboratories, large and small, LIMS has become an essential part of the laboratory design, enabling or facilitating, for example: sample tracking; sample prioritization; organization and review of laboratory work lists; integration of laboratory instrumentation with software applications; generation of reports; and ensuring data integrity.

Use of LIMS for these functions is particularly important for laboratories involved in a high volume of repetitive and systematic testing procedures or other tasks, such as laboratories conducting testing for pharmaceuticals that are in advanced human clinical trials. This is also the case with pharmaceutical, food and beverage, and chemical manufacturing facilities, which need to regularly and systematically conduct testing for quality assurance and quality control.

This product line includes software solutions designed to address the specific needs of some of our customers. For example, our Forensics Solution software product for SQL*LIMS is an optional enhancement that modifies the SQL*LIMS to address the specific needs of the forensics laboratory environment. Also, in September 2007, we announced the SQL*LIMS Plug and Play Pharma Package™ to help pharmaceutical companies maintain regulatory compliance and decrease the cost of managing their manufacturing operations.

We also offer consulting services to customers using SQL*LIMS. These consulting services are designed for laboratories seeking greater automation and integration of lab processes. Our consultants principally assist with installation, configuration, and implementation of the SQL*LIMS and any optional software enhancements purchased along with the SQL*LIMS.

Service and Support

We generally provide limited warranties on all equipment at the time of sale, for periods of time ranging up to two years from the date of sale depending on the product subject to warranty. However, warranties included with any sale can vary, and may be excluded altogether, depending on the particular circumstances of the sale. The sale of some equipment includes installation, basic user training, and/or application support. We also offer service contracts to our customers that are generally one to five years in duration after the original warranty period. We provide both repair services and routine maintenance services under these arrangements, and also offer repair and maintenance services on a time and material basis to customers that do not have service contracts. Service in the U.S. and major markets outside of the U.S. is provided by our service staff. In some foreign countries, service is sometimes provided through distributorship arrangements.

Marketing and Distribution

General

The markets for our products and services span the spectrum of the life sciences industry and research community, including: basic human disease research and genetic analysis performed by universities, government agencies, and other non-profit organizations; pharmaceutical drug discovery, development, and manufacturing; and agriculture research. Our products also serve the needs of some markets outside of life science research, which we refer to as applied markets, such as the fields of: human identity testing (forensic and paternity testing); quality and safety testing, such as testing required for food and pharmaceutical manufacturing; and biosecurity, which refers to products needed in response to the threat of biological terrorism and other malicious, accidental, and natural biological dangers.

The various markets served by our products and services have unique and often-changing requirements and expectations. Our customers are continually searching for processes and systems that: can perform experiments and tests faster, more efficiently, and at a lower cost; and that can be used to perform new tasks in response to scientific, regulatory, and other developments. We seek to address these customer needs by focusing on the development and improvement of automated

and high-throughput systems, and the development of new applications for these systems. Also, we seek to expand the markets served by our products and services, and address the unmet needs of new markets, by developing new or improved systems and new applications for existing systems.

The size and growth of our markets are influenced by a number of factors, including but not limited to:

- technological innovation in methods for analyzing biological data;
- government funding for basic and disease-related research, such as in heart disease, AIDS, and cancer;
- research and development spending by biotechnology and pharmaceutical companies;
- awareness of biological contamination in food and the environment;
- governmental response to the threat of biological terrorism and other malicious, accidental, and natural biological dangers, including efforts to develop surveillance and detection capabilities; and
- application of biotechnology to basic agricultural processes.

In the U.S., we market our products and services directly through our own sales and distribution organizations. In major markets outside of the U.S., we also generally market our products and services directly through our own sales and distribution organizations, although some products and services are marketed through various representative and distributorship arrangements that we have established. We own or lease sales and service offices in the U.S. and in foreign countries through our foreign sales subsidiaries and distribution operations. None of our products are distributed through retail outlets.

Applied Biosystems E-Business

We have established an electronic commerce, or "e-commerce," web site located on the Internet at www.appliedbiosystems.com. We use our website to market our full range of products and services, and most of our products are also available for purchase directly online. To date, customers typically, but not exclusively, have been using the Applied Biosystems website to purchase their consumable products such as TaqMan® Gene Expression and SNP Genotyping Assays, TaqMan® Arrays, and siRNAs. Website users can access search tools and graphical viewers intended to help them plan experiments and purchase our corresponding products. We also offer businesses, academic and research institutions, and other clients the capability to integrate their own electronic purchasing systems with our e-commerce website, which we believe simplifies the ordering process for researchers.

Raw Materials

There are no specialized raw materials that are particularly essential to the operation of our business. Our manufacturing operations require a wide variety of raw materials, electronic and mechanical components, chemical and biochemical materials, and other supplies, some of which are occasionally found to be in short supply. We may not be able to obtain or maintain access to these supplies on acceptable terms. Any interruption in the availability of these materials could

harm our operations. We have multiple commercial sources for most components and supplies, but we are dependent on single sources for a limited number of these items, in which case we normally secure long-term supply contracts. In some cases, if a supplier stops offering a product, our business could be temporarily interrupted.

Patents, Licenses, and Franchises

Our products are based on complex, rapidly developing technologies. Some of these technologies are covered by patents we own, and others are owned by third parties and are used by us under license. We have pursued a policy of seeking patent protection in the U.S. and other countries for developments, improvements, and inventions originating within our organization that are incorporated into our products or that fall within our fields of interest. Our business depends on our ability to continue developing new technologies which can be patented, or licensing new technologies from others that own patents in desired technologies.

We are currently, and could in the future be, subject to 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. From time to time, we have asserted that various competitors and others are infringing our patents; and similarly, from time to time, others have asserted that we were or are infringing patents owned by them. These claims are sometimes settled by mutual agreement on a satisfactory basis and result in the granting of licenses by or to us or the cessation of the alleged infringing activities. However, we cannot make any assurances as to the outcome of any pending or future claims. More information about the risk factors associated with our reliance on intellectual property is set forth below in Item 1A of this report under the heading “Risk Factors.” Also, more information about our legal proceedings that involve our intellectual property is set forth below in Item 3 of this report under the heading “Legal Proceedings.”

PCR and Real-Time PCR Reagents, Methods, and Instruments

PCR, which refers to polymerase chain reaction, is a process in which a short strand of DNA is copied multiple times, or amplified, so that it can be more readily detected and analyzed. We own some patents to PCR-related technology and we derive other rights to PCR technology under a series of agreements with Hoffmann-La Roche Inc. and its affiliates, which own some of the patents covering PCR-related technology, and an agreement with Epoch BioSciences, which owns intellectual property relating to chemicals used in the PCR process.

The broadest PCR-related patents covered the basic PCR method, which we refer to as the foundational PCR patents. The last of the foundational patents expired in Spain in March 2007, but we have many other patents in our portfolio of PCR-related patents. These other patents cover for example: improvements to the basic PCR method, such as real-time PCR, which is used to detect and for some applications quantify a sample during the PCR amplification process; polymerase enzymes useful in PCR and real-time PCR; methods related to PCR; and instrumentation related to PCR and real-time PCR. Our remaining patents in this portfolio will expire at varying times between now and 2016 in the U.S. and various other jurisdictions throughout the world.

We have established licensing programs for industry access to some of our owned and in-licensed PCR intellectual property, and have granted some individual licenses for some of the intellectual property not included in those programs. We receive royalties from other companies

for their sales of products incorporating the intellectual property that we license to these other companies.

DNA Sequencing and Capillary Electrophoresis Reagents, Methods, and Instruments

Capillary electrophoresis, or CE, is a process used to analyze DNA molecules for DNA sequencing and other applications. We own several patents covering DNA sequencing and fragment analysis with CE technology, and we derive other rights to components of DNA sequencing and CE technologies under a series of agreements and collaborations with other companies and institutions. These companies and institutions include, for example, the California Institute of Technology, Perkin-Elmer, Inc., GE Healthcare Bio-Sciences Corp., Iowa State Research Foundation, Beckman Coulter, Inc., Promega Corporation, and Hitachi High-Technologies Corp. The owned and licensed patents cover, for example, methods and reagents for sequencing, modification, separation, and detection, along with instruments for separation, detection, and analysis. Within this portfolio of patents, the patents that we believe are material to our business will expire at varying times between 2009 and 2023 in the U.S. and various other jurisdictions throughout the world.

Mass Spectrometry Instrument Systems, Reagents, and Methods

We and our joint venture partner, MDS Inc. of Canada, own and operate a joint venture in the field of mass spectrometry known as Applied Biosystems/MDS Analytical Technologies Instruments. We and MDS own several patents to mass spectrometry instrument design and operation, including software technology, that we and MDS Inc. make available to Applied Biosystems/MDS Analytical Technologies Instruments. Among these patents is a fundamental mass spectrometry patent, U.S. Patent No. 4,963,736, which will expire in 2009 in the U.S., and corresponding foreign patents that will also expire in 2009. These patents pertain to improved ion transmission for improving sensitivity in the use of mass spectrometry technology for later stage drug development and discovery and metabolite identification processes. The joint venture derives additional rights to mass spectrometry technology, which we believe are material to the joint venture business, under license agreements with other companies and institutions. These rights include, for example, exclusive rights to orthogonal time-of-flight mass spectrometry technology from the University of Manitoba.

Independent of the joint venture, we have a portfolio of patents and patent applications pertaining to our mass spectrometry consumable reagents business and our mass spectrometry workflow solutions, which refer to methods and applications used by researchers to solve problems encountered in laboratory experimentation and analysis.

Backlog

Our total recorded backlog at June 30, 2008, was $352.5 million. This number reflects the backlog attributed to our Applied Biosystems group segment at that date, including $0.3 million of orders from our former Celera group business segment, but excluding $2.9 million in backlog that we attributed to the Celera group business at that date. Our total recorded backlog at June 30, 2007, was $288.3 million, including $0.7 million of orders from the Celera group business, but excluding $0.2 million we attributed to the Celera group business at that date. Recorded backlog may not result in sales because of cancellation or other factors. It is anticipated that most of the orders included in backlog at June 30, 2008, will be delivered before the close of our 2009 fiscal year.

Competition

While the absence of reliable statistics makes it difficult to determine our relative market position in its industry segments, we believe we are one of the principal suppliers in our fields, marketing a broad line of life science systems, consumables, software, and services. However, the markets for these products and services are highly competitive and are characterized by the application of advanced technology. Competition is intensified by the ever-changing nature of the technologies used in these markets. New technologies in life sciences could make our products and services obsolete unless we continue to develop new and improved products and services and pursue new market opportunities. Given the breadth of our product and service offerings, our competition comes from a wide array of competitors with a high degree of technical proficiency, ranging from specialized companies that have strengths in narrow segments of the life science markets to well known manufacturers offering a broad array of biotechnology products and services. We compete principally in terms of the technology incorporated into our products and services, the breadth and quality of our product and service offerings, and our service and distribution capabilities.

Research and Development

We are actively engaged in basic and applied research and development programs designed to develop new products and to improve existing products. Our research and development expenses during our 2008, 2007, and 2006 fiscal years were as follows:

2008 fiscal year: $196.1 million for the Applied Biosystems group, $40.9 million for the Celera group, and $235.3 million for our company on a consolidated basis after the effects of ($1.7) million related to intercompany eliminations;

2007 fiscal year: $203.9 million for the Applied Biosystems group, $51.7 million for the Celera group, and $254.0 million for our company on a consolidated basis after the effects of ($1.6) million related to intercompany eliminations; and

2006 fiscal year: $180.3 million for the Applied Biosystems group, $94.3 million for the Celera group, and $271.4 million for our company on a consolidated basis after the effects of ($3.2) million related to intercompany eliminations.

Our new products generally originate from four sources: internal research and development programs; external collaborative efforts with technology companies and individuals in academic institutions; devices or techniques that are generated in customers' laboratories; and business and technology acquisitions.

Environmental Matters

We are subject to federal, state, and local laws and regulations regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, in those jurisdictions where we operate or maintain facilities. We do not believe that any liability arising under, or compliance with, environmental laws or regulations will have a material effect on our business, and no material capital expenditures are expected for environmental control.

Employees

As of the end of our 2008 fiscal year, we had approximately 5,160 employees, including approximately 4,930 employees attributed to the Applied Biosystems business and approximately 230 employees in our corporate staff, who provide accounting, tax, treasury, legal, information technology, human resources, and other services in support of the Applied Biosystems business operations. These numbers include part time employees based on their part time commitment, and also include temporary workers on our payroll. None of our U.S. employees are subject to collective bargaining agreements. We generally consider our relations with our employees to be good.

Also, we note that as of the end of our 2008 fiscal year we employed approximately 580 additional individuals who transferred to Celera Corporation in connection with the separation of the Celera group business to Celera Corp. We had attributed most of these individuals to the Celera group business, including approximately 360 that worked in the Berkeley HeartLab business that was acquired in October 2007, but 9 of them had been part of our corporate staff. Upon completion of the separation on July 1, 2008, these individuals became employees of Celera Corp. More information on the Celera group separation is set forth above in Item 1 of this report under the heading "Celera Separation."

Financial Information About Industry Segments

A summary of net revenues from external customers and operating income (loss) attributable to each of our industry segments for our fiscal years ended June 30, 2008, 2007, and 2006 is incorporated herein by reference to Note 17 to our consolidated financial statements on pages 81 through 92 of our 2008 Annual Report. Total assets as of June 30, 2008, 2007, and 2006 were as follows:

June 30, 2008: $2,398.6 million for the Applied Biosystems group, $663.3 million for the Celera group, and $3,061.4 million for our company on a consolidated basis after the effects of ($0.5) million related to intercompany eliminations;

June 30, 2007: $2,386.6 million for the Applied Biosystems group, $768.7 million for the Celera group, and $3,152.5 million for our company on a consolidated basis after the effects of ($2.8) million related to intercompany eliminations; and

June 30, 2006: $2,245.8 million for the Applied Biosystems group, $773.7 million for the Celera group, and $3,013.0 million for our company on a consolidated basis after the effects of ($6.5) million related to intercompany eliminations.

Financial Information About Geographic Areas

A summary of net revenues from external customers and long-lived assets attributed to each of our geographic areas for our 2008, 2007, and 2006 fiscal years is incorporated herein by reference to Note 17 to our consolidated financial statements on pages 81 through 92 of our 2008 Annual Report.

Our consolidated net revenues from external customers in countries other than the U.S. for our 2008, 2007, and 2006 fiscal years were as follows:

2008: $1,337.5 million, or 56.6% of our consolidated net revenues;

2007: $1,204.8 million, or 56.5% of our consolidated net revenues; and

2006: $1,060.7 million, or 54.4% of our consolidated net revenues.

Our manufacturing facilities outside the continental U.S. are located in the United Kingdom, Japan, and Singapore.

Executive Officers of the Registrant

Information concerning our executive officers is incorporated by reference to the description in Item 10 of this report under the heading "Directors, Executive Officers and Corporate Governance– Identification and Business Experience of Executive Officers" on page 51 of this report.

Item 1A. Risk Factors

Some statements contained in, or incorporated by reference in, this report are forward-looking and are subject to a variety of risks and uncertainties. Similarly, the press releases we issue and other public statements we make from time to time may contain language that is forward-looking. These forward-looking statements may be identified by the use of forward-looking words or phrases such as "forecast," "believe," "expect," "intend," "anticipate," "should," "plan," "estimate," and "potential," among others. The forward-looking statements contained in this report, including statements regarding the pending merger with Invitrogen corporation, are based on our current expectations, and those made at other times will be based on our expectations when the statements are made. We cannot guarantee that any forward-looking statements will be realized.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. To comply with the terms of the safe harbor, we note that a variety of factors could cause actual results and experience to differ materially from anticipated results or other expectations expressed in forward-looking statements. We also note that achievement of anticipated results or expectations in forward-looking statements is subject to the possibility that assumptions underlying forward-looking statements will prove to be inaccurate. Investors should bear this in mind as they consider forward-looking statements.

The risks and uncertainties that may affect the operations, performance, development, and results of our business include, but are not limited to, those described below. We note that our business could be affected by other factors that we have not disclosed because we think they are immaterial. Also, there may be additional risks and uncertainties that could affect our business but which are not currently known to us.

Failure to complete our pending merger with Invitrogen will subject us to financial risks and could cause the price of Applied Biosystems stock to decline.

On June 11, 2008, we entered into a merger agreement with Invitrogen Corporation and Atom Acquisition, LLC, a direct wholly-owned subsidiary of Invitrogen. The proposed merger is subject to review by regulatory agencies in the EU and some other foreign jurisdictions, and we cannot provide assurances as to whether we will obtain the necessary clearances or approvals from these agencies or whether those clearances or approvals will impose any conditions on the company resulting from the merger. Also, we cannot assure our stockholders that the merger agreement will be approved and adopted by our stockholders or that the other conditions to the completion of the merger set forth in the merger agreement will be satisfied. We are subject to a number of other risks associated with the pending merger, including the following:

the current market price of Applied Biosystems stock may reflect a market assumption that the merger will occur, and a failure to complete the merger could result in a decline in the market price of Applied Biosystems stock;

the announcement of the merger and our planning for integration of our business with Invitrogen could: disrupt our business plans and operations; adversely affect our ability to retain key employees; and divert the attention of our management from opportunities that could be beneficial to our business;

the announcement of the merger could adversely affect our relationships with customers, suppliers and other parties;

the occurrence of some events, changes, or other circumstances described in the merger agreement could cause a termination of the merger agreement;

under the merger agreement, we could be required to pay Invitrogen a termination fee of $150 million if the merger agreement is terminated in some circumstance involving an alternative transaction proposal by another company or a change in our board' s recommendation of the Invitrogen merger to our stockholders in a manner that is adverse to Invitrogen;

the benefits we expect our stockholders to realize from the merger may not be realized, including as a result of the difficulties or delays in Invitrogen' s ability to successfully integrate its businesses with our business following the merger;

we expect to incur significant legal, accounting, financial advisory, and other costs, fees, expenses and charges related to the merger; and

The Invitrogen merger agreement contains restrictions on activities that are not in the ordinary course of our business, subject to limited exceptions specified in the merger agreement, and these restrictions could prevent us from pursuing important business opportunities, such as business or technology acquisitions, while the merger is pending.

Because the market price of Invitrogen' s common stock will fluctuate prior to completion of the Invitrogen merger, we cannot assure our stockholders as to the market value of the shares of Invitrogen common stock that they will receive upon completion of the merger.

The market price of Invitrogen common stock at the time of completion of the merger may vary significantly from the price when we signed the merger agreement, the price when the per share merger consideration was determined, or the price when we and Invitrogen conduct our special stockholder meetings to seek approval of the merger. Pursuant to the merger agreement, if the arithmetic average of the volume-weighted average price of Invitrogen' s common stock on each trading day during the 20 consecutive trading days immediately preceding the third business day prior to the effective time of the merger, or the 20-day VWAP, is less than $46.00 per share, then holders of Applied Biosystems stock who receive all or a portion of their consideration in shares of Invitrogen stock will also receive an additional cash amount of up to $2.31 per share of Invitrogen common stock which they receive in the merger. If, however, the 20-day VWAP is less than $43.69 per share, there will not be any cash paid in addition to the amount described above. Because the date when the merger is completed may be later than the date of the special meetings, our stockholders may not know the exact value of the Invitrogen common stock that will be issued in the merger at the time they vote on the merger proposal. As a result, if the market price of Invitrogen common stock at the completion of the merger is less than $43.69, the value of the per share merger consideration received by our stockholders who receive a portion of the merger consideration in Invitrogen common stock will be lower than $38.00, the value of the per share merger consideration for stockholders, if any, who receive only cash.

Rapidly changing technology in life sciences could make our product line obsolete unless we continue to develop and manufacture new and improved products and services, and pursue new market opportunities.

A significant portion of the net revenues for us each year is derived from products and services that did not exist in the prior year. We sell our products in several industries that are characterized by rapid and significant technological changes, frequent new product and service introductions and enhancements, and evolving industry standards. Our future success depends on our ability to continually improve our current products and services, develop and introduce, on a timely and cost-effective basis, new products and services that address the evolving needs of its customers, and pursue new market opportunities that develop as a result of technological and scientific advances in life sciences. These new market opportunities may be outside the scope of our proven expertise or in areas which have unproven market demand, and the utility and value of new products and services developed by us may not be accepted in the markets served by the new products. This includes, for example, new products under development for the clinical diagnostics market, which are described in the immediately following paragraph. The inability to gain market acceptance of new products and services could harm our future operating results. Our future success also depends on our ability to manufacture these improved and new products to meet customer demand in a timely and cost-effective manner, including our ability to resolve in a timely manner manufacturing issues that may arise from time to time as we commence production of these complex products. Unanticipated difficulties or delays in replacing existing products and services with new products and services or in manufacturing improved or new products in sufficient quantities to meet customer demand could diminish future demand for our products and services and our future operating results.

We may not successfully develop instruments for use in the clinical diagnostics market, and even if we do develop these products, they may not receive needed regulatory clearances or approvals and we may not be able to manufacture these products in accordance with regulatory requirements.

We intend to commit significant resources to the development of instruments for use in the clinical diagnostics market. Although we have experience in developing and commercializing instrumentation for the life science research market, we have only limited prior experience with products of any type for use in the regulated clinical diagnostics market. This is an emerging business area for us, and we may not have or be able to obtain the necessary expertise to successfully develop instruments for use in this market. In addition, in the U.S. and other countries, instruments cannot be marketed for clinical diagnostics use until they first receive regulatory clearance or approval. The regulatory review and clearance or approval process can be time consuming and require substantial expense and may not be successful. Even if we obtain regulatory clearance or approval for an instrument for use in the clinical diagnostics market, the manufacture, sale, and distribution of that product may be subject to ongoing regulatory requirements. The inability to comply with these requirements could cause us to suspend the manufacture or sale of these products and delay or prevent us from generating revenues from the sale of these products.

We rely on other companies for the manufacture of some of our products and also for the supply of some components of the products we manufacture on our own.

Although we have contracts with most of these manufacturers and suppliers, their operations could be disrupted. These disruptions could be caused by conditions unrelated to our business or operations, including the bankruptcy of the manufacturer or supplier. Although we have our own manufacturing facilities, and generally believe we might be able to manufacture some of the products and components currently sourced from other companies, we also believe that it could take considerable time and resources for us to establish the capability to do so. Accordingly, if these other manufacturers or suppliers are unable or fail to fulfill their obligations to us, we might not be able to satisfy customer demand in a timely manner, and our business could be harmed.

A significant portion of our sales depends on customers' capital spending policies that may be subject to significant and unexpected decreases.

A significant portion of our instrument product sales are capital purchases by our customers. Our customers include pharmaceutical, environmental, research, biotechnology, and chemical companies, and the capital spending policies of these companies can have a significant effect on the demand for our products. These policies are based on a wide variety of factors, including the resources available to make purchases, the spending priorities among various types of research equipment, and policies regarding capital expenditures during recessionary periods. Any decrease in capital spending or change in spending policies of these companies could significantly reduce the demand for our products.

A substantial portion of our sales is to customers at universities or research laboratories whose funding is dependent on both the amount and timing of funding from government sources.

As a result, the timing and amount of revenues from these sources may vary significantly due to factors that can be difficult to forecast. Research funding for life science research has increased more slowly during the past several years compared to previous years and has declined in some countries, and some grants have been frozen for extended periods or otherwise become unavailable to various institutions, sometimes without advance notice. Budgetary pressures may result in reduced allocations to government agencies that fund research and development activities. If government funding necessary to purchase our products were to become unavailable to researchers for any extended period of time, or if overall research funding were to decrease, our business could be harmed.

We may become involved in legal proceedings to enforce our intellectual property rights.

The intellectual property rights of biotechnology companies, including us, involve complex factual, scientific, and legal questions. Even though we may believe that we have a valid patent on a particular technology, other companies have from time to time taken, and may in the future take, actions that we believe violate our patent rights. Although we have licensing programs to provide industry access to some of our patent rights, other companies have in the past refused to participate in these licensing programs and companies may refuse to participate in them in the future, resulting in a loss of potential licensing revenue. Legal actions to enforce these patent rights can be expensive and may involve the diversion of significant management time. Our enforcement actions may not be successful, and furthermore they could give rise to legal claims against us and could result in the invalidation of some of our intellectual property rights or legal determination that they are not enforceable. Also, other companies may seek to invalidate our intellectual property rights through other proceedings, such as by challenging the validity and scope of a patent with the United States Patent and Trademark Office, or USPTO, or foreign patent offices. For example, U.S. Patent No. 6,814,934, which relates to instruments for real-time PCR detection, is the subject of a reexamination proceeding in the USPTO and EP 872562, the European counterpart of the ’ 934 patent, is the subject of an opposition proceeding in the European Patent Office. These proceedings, which have resulted from requests made by other companies to these patent authorities, could result in amendments to or rejection of the patents.

We are currently, and could in the future be, subject to 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, and we may need to obtain licenses to intellectual property from others.

We believe that we have meritorious defenses against the claims currently asserted against us and intend to defend them vigorously. However, the outcome of legal actions is inherently uncertain, and we cannot be sure that we will prevail in any of these actions. An adverse determination in some of our current legal actions, particularly the cases described below, could harm our business and financial condition.

Our products are based on complex, rapidly developing technologies. These products could be developed without knowledge of previously filed patent applications that mature into

patents that cover some aspect of these technologies. In addition, because patent litigation is complex and the outcome inherently uncertain, our belief that our products do not infringe valid and enforceable patents owned by others could be successfully challenged. We have from time to time been notified that we may be infringing patents and other intellectual property rights of others. Also, in the course of our business, we may from time to time have access to confidential or proprietary information of others, and they could bring a claim against us asserting that we had misappropriated their technologies, which though not patented are protected as trade secrets, and had improperly incorporated those technologies into our products.

Due to these factors, there remains a constant risk of intellectual property litigation and other legal actions affecting us, which could include antitrust claims. We have been made a party to litigation and have been subject to other legal actions regarding intellectual property matters, which have included claims of violations of antitrust laws. These actions currently include the legal proceedings described in the following paragraph, some of which, if determined adversely, could harm our business and financial condition. To avoid or settle legal claims, it may be necessary or desirable in the future to obtain licenses relating to one or more products or relating to current or future technologies, and we may not be able to obtain these licenses or other rights on commercially reasonable terms, or at all. In some situations settlement of claims may require an agreement to cease allegedly infringing activities.

We are involved in several legal actions that could affect our intellectual property rights and our products and services, including the following:

Enzo Biochem, Inc., Enzo Life Sciences, Inc., and Yale University have filed a lawsuit against us alleging that we are infringing six patents due to the sale of sequencing reagent kits, TaqMan® genotyping and gene expression assays, and the gene expression microarrays used with our Expression Array System.

Michigan Diagnostics LLC has filed claims against us seeking a declaratory judgment of non-infringement, invalidity, and unenforceability of approximately 60 patents related to chemiluminescent products and methods, and asserting antitrust claims based on our alleged misconduct in our alleged enforcement of those patents.

Molecular Diagnostics Laboratories has filed a class action complaint against us, Hoffmann-La Roche Inc., and Roche Molecular Systems, Inc. alleging anticompetitive conduct in connection with the sale of Taq DNA polymerase. The anticompetitive conduct is alleged to arise from the prosecution and enforcement of U.S. Patent No 4,889,818. This patent is assigned to Roche Molecular Systems, with whom we have a commercial relationship covering, among other things, this patent and the sale of Taq DNA polymerase.

In response to claims made by us against Solexa, Inc., Illumina, Inc., and a former chief patent counsel to our company, Solexa has filed counterclaims against us alleging that we infringe U.S. Patent Nos. 5,750,341, 5,969,119, 6,306,597 based on our making, using, selling, and offering for sale DNA sequencing products.

In response to a claim that we, MDS, Inc., and our Applied Biosystems/MDS Analytical Technologies Instruments joint venture with MDS filed against Thermo Electron Corporation, Thermo Electron has filed a counterclaim seeking a declaratory judgment that our U.S. Patent No. 4,963,736 is invalid. After the filing of this action

against Thermo Electron, its subsidiary Thermo Finnigan LLC filed a lawsuit against us alleging that we are infringing one of its patents as a result of, for example, our commercialization of the ABI PRISM® 3700 Genetic Analyzer. Thermo Finnigan subsequently filed a second lawsuit against us, MDS, and the Applied Biosystems/MDS Analytical Technologies Instruments joint venture alleging that we and the other defendants have infringed one of Thermo Finnigan' s patents as a result of, for example, our commercialization of the API 5000™ LC/MS/MS system.

Fluidigm Corporation and Corbett Life Science, Corbett Robotics Inc., and Corbett Research Pty Ltd. have filed complaints against us seeking declaratory judgments of non-infringement and invalidity of our U.S. Patent No. 6,814,934, which relates to instruments for real-time PCR detection. The complaint filed by the Corbett parties also seeks a declaratory judgment that this patent is unenforceable.

These cases are described in further detail below in Item 3 of this report under the heading "Legal Proceedings- Commercial Litigation." The cost of litigation and the amount of management time associated with these cases is expected to be significant. These matters might not be resolved favorably. If they are not resolved favorably, we could be enjoined from selling the products or services in question or other products or services as a result, and monetary or other damages could be assessed against us. These outcomes could harm our business or financial condition.

Some of the intellectual property that is important to our business is owned by other companies or institutions and licensed to us, and legal actions against them could harm our business.

Even if we are not a party to these legal actions, an adverse outcome could harm our business because it might prevent these other companies or institutions from continuing to license intellectual property that we may need for our business. Furthermore, an adverse outcome could result in infringement or other legal actions being brought directly against us. For example, on November 8, 2006, a patent interference proceeding was declared by the United States Patent and Trademark Office between Enzo Diagnostics, Inc. and the California Institute of Technology, or Caltech, concerning a patent application owned by Enzo and U.S. Patent No. 5,821,058, owned by Caltech. The ' 058 patent is exclusively licensed to us and claims methods for DNA sequencing. The Patent Office has declared the interference in order to resolve competing claims to inventorship of the subject matter of the interference. Although we are not a party to this proceeding, as exclusive licensee we are involved in the prosecution of the interference, in cooperation with Caltech, and we are funding a substantial portion of the cost of the prosecution. If Enzo prevails in the interference, the Patent Office could revoke the claims of the ' 058 patent from Caltech and award substantially similar claims to Enzo, which Enzo might then assert against our DNA sequencing products and possibly other products.

Since our business is dependent on foreign sales, fluctuating currencies will make revenues and operating results more volatile.

Approximately 57% of our net revenues for our 2008 fiscal year were derived from sales to customers outside of the U.S. The majority of these sales were based on the relevant customer' s local currency. A significant portion of our related costs are based on the U.S. dollar. As a result, our reported and anticipated operating results and cash flows are subject to fluctuations due to material changes in foreign currency exchange rates that are beyond our control.

Our future growth depends in part on our ability to acquire complementary technologies through acquisitions, investments, or other strategic relationships or alliances, which may absorb significant resources, may be unsuccessful, and could dilute holders of Applied Biosystems stock.

Acquisitions, investments and other strategic relationships and alliances, if pursued, may involve significant cash expenditures, debt incurrence, and expenses that could have a material effect on our financial condition and operating results. If we pursue these types of transactions, it may be difficult for us to complete these transactions quickly and to integrate these acquired operations efficiently into our current business operations. Potential technological advances resulting from the integration of technologies may not be achieved as successfully or rapidly as anticipated, if at all. Any acquisitions, investments or other strategic relationships and alliances by us may ultimately harm our business and financial condition. In addition, future acquisitions may not be as successful as we originally anticipated and may result in impairment charges. We have incurred these charges in recent years in relation to acquisitions. For example, we have incurred charges for impairment of goodwill, intangibles and other assets and other charges of $14.9 million related to our acquisition of Boston Probes, Inc. In addition, acquisitions and other transactions may involve the issuance of a substantial amount of Applied Biosystems stock without the approval of our stockholders. Any issuances of this nature could be dilutive to our stockholders.

Our business, particularly the development and marketing of information-based products and services, depends on the continuous, effective, reliable, and secure operation of our computer hardware, software, and Internet applications and related tools and functions.

Our business requires manipulating and analyzing large amounts of data, and communicating the results of the analysis to our internal research personnel and to our customers via the Internet. Also, we rely on a global enterprise software system to operate and manage our business. Our business therefore depends on the continuous, effective, reliable, and secure operation of our computer hardware, software, networks, Internet servers, and related infrastructure. To the extent that our hardware or software malfunctions or access to our data by internal research personnel or customers through the Internet is interrupted, our business could suffer.

Our computer and communications hardware is protected through physical and software safeguards. However, it is still vulnerable to fire, storm, flood, power loss, earthquakes, telecommunications failures, physical or software break-ins, software viruses, and similar events. In addition, our online products and services are complex and sophisticated, and as such, could contain data, design, or software errors that could be difficult to detect and correct. Software defects could be found in current or future products. If we fail to maintain and further develop the necessary computer capacity and data to support our computational needs and our customers' access to information-based product and service offerings, we could experience a loss of or delay in revenues or market acceptance. In addition, any sustained disruption in Internet access provided by other companies could harm our business.

Our operations involve the use, manufacture, sale, and distribution of hazardous materials, and the mishandling of these hazardous materials could result in substantial liabilities and harm to our business.

Our research and development and manufacturing activities involve the controlled use of potentially hazardous materials, including biological materials, chemicals, and various radioactive compounds. Also, some of our products are hazardous materials or include hazardous materials. We cannot completely eliminate the risk of accidental or other contamination or injury from these materials, and we could be held liable for resulting damages, which could be substantial. Under some laws and regulations, a party can be subject to "strict liability" for damages caused by some hazardous materials, which means that a party can be liable without regard to fault or negligence. In addition, we are subject to federal, state, local, and foreign laws, regulations, and permits governing the use, storage, handling, and disposal of hazardous materials and specified waste products, as well as the shipment and labeling of materials and products containing hazardous materials. If we fail to comply with any of these laws, regulations, or permits, we could be subject to substantial fine or penalty, payment of remediation costs, loss of permits, and/or other adverse governmental action. Any of these events could harm our business and financial condition.

Earthquakes could disrupt operations in California.

Our management and principal operations are located in the San Francisco Bay area, a region near major California earthquake faults. The ultimate impact of earthquakes on our business, our significant suppliers, and the general infrastructure is unknown, but our business and operating results could be harmed if a major earthquake occurs.

The price of Applied Biosystems stock may be volatile.

The market price of Applied Biosystems stock has in the past been, and may in the future continue to be, volatile due to the risks and uncertainties described in this risk factors section of this report, as well as other factors that may have affected or may in the future affect the market price, such as:

conditions and publicity regarding the genomics, biotechnology, pharmaceutical, or life sciences industries generally;

price and volume fluctuations in the stock market at large which do not relate to our operating performance; and

comments by securities analysts or government officials, including with regard to the viability or profitability of the biotechnology sector generally or with regard to intellectual property rights of life science companies, or our ability to meet market expectations.

The stock market has from time to time experienced extreme price and volume fluctuations that are unrelated to the operating performance of particular companies or the industries in which they compete. In addition, our ability to achieve previously-announced financial targets is subject to a number of risks, uncertainties, and other factors affecting our business and the genomics, biotechnology, pharmaceutical, and life sciences industries generally, many of which are beyond our control. These factors may cause actual results to differ materially. We describe a number of

these factors throughout this document, including in these risk factors. We cannot assure you that we will meet these targets. If we are not able to meet these targets, it could harm the market price of Applied Biosystems stock.

Our stockholder rights plan could discourage a change of control and the payment of a premium for stockholders' shares.

Our stockholder rights plan could delay or prevent other parties from seeking to acquire our company, which would prevent stockholders from profiting from an increase in the market value of their shares as a result of a change in control.

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Properties

Our corporate headquarters are located in a leased facility in Norwalk, Connecticut. The Applied Biosystems business operations are headquartered in leased and owned facilities in Foster City, California. We own or lease approximately 60 facilities worldwide for manufacturing, distribution, warehousing, research and development, sales and demonstration, service, and administration. The following is a list of the principal and other material operating facilities. Except as otherwise noted below, we use substantially all of the space in these facilities and they are maintained in good working order.

Location (Approximate Floor Area in Sq. Ft.)	Owned or Leased (Expiration Date of Leases)
Foster City, CA (320,000) – several buildings	Leased (several leases expiring 2009-2015)
Foster City, CA (280,000) – several buildings	Owned
Pleasanton, CA (149,000) – three buildings	Owned
Austin, TX (117,000) – three buildings	Leased (2010)
Framingham, MA (90,000) – two buildings	Leased (2014)
Warrington, United Kingdom (88,000) – two buildings	Owned
Rotterdam, Netherlands (71,000)	Leased (2010)
Darmstadt, Germany (66,000)	Leased (2011)
Hayward, CA (66,000)	Leased (2009)
Singapore (63,000)	Leased (two leases expiring 2008 and 2011)
Bedford, MA (59,000) – two buildings	Leased (two leases expiring 2010 and 2023)
Norwalk, CT (51,000)	Leased (2011)
Rockville, MD (34,000)	Leased (2010)
Tokyo, Japan (31,000)	Leased (2010)
Narita, Japan (24,000)	Owned
Shanghai, China (19,000)	Leased (2010)

The Pleasanton, California facilities listed in the table above are located on an 80-acre property that we own. The listed facilities include a manufacturing facility that we constructed, as well as two warehouses that we acquired with the property and that we intend to use to support further construction on the site, if any. We have also completed construction of the shell of another building at the same site with approximately 164,000 square feet. We intend to construct improvements needed for occupancy in this other building as additional space is needed for our operations or possibly the operations of our other businesses. We may construct additional

research and development, manufacturing, administrative, or other facilities at this property, up to a maximum of approximately 700,000 additional square feet, as may be required for the future growth of our businesses.

As of the end of our 2008 fiscal year, we leased and owned other properties that were part of our former Celera group business but which have been transferred to Celera Corporation with the separation of the Celera group business. The transfer included facilities with an aggregate of approximately 222,000 square feet, located in Alameda, Burlingame, and South San Francisco, California, and Rockville, Maryland, used by the Celera group business for research and development, manufacturing, clinical laboratory services, and administration. The transfer also included a leased facility in Pasadena, California, and an owned a facility in South San Francisco, California, that we had attributed to the Celera group. These facilities had been vacated prior to our 2008 fiscal year. As of the end of our 2008 fiscal year, substantially all of the Pasadena facility had been subleased, and the South San Francisco facility was being marketed for sale. More information about the Celera group separation is set forth above in Item 1 of this report under the heading "Celera Separation."

Our Rockville facility listed in the table above is space that is leased by Celera Corp. and that we share with Celera Corp. under an arrangement that is similar to an inter-group sharing arrangement in place prior to the Celera separation.

Item 3. Legal Proceedings

We are involved in various lawsuits, arbitrations, investigations, and other legal actions from time to time with both private parties and governmental entities. These legal actions currently involve, for example, commercial, intellectual property, antitrust, environmental, securities, and employment matters. The following is a description of some claims we are currently defending, including some counterclaims brought against us in response to claims filed by us against others. We believe that we have meritorious defenses against the claims currently asserted against us, including those described below, and intend to defend them vigorously. However, the outcome of legal actions is inherently uncertain, and we cannot be sure that we will prevail in our defense of claims currently asserted against us. An adverse determination in the cases we are currently defending, particularly the claims against us described below under the heading "Commercial Litigation," could harm us.

Commercial Litigation

Enzo Biochem, Inc., Enzo Life Sciences, Inc., and Yale University filed a patent infringement action against us in the U.S. District Court for the District of Connecticut on June 7, 2004. The complaint alleges that we are infringing six patents. Four of these patents are assigned to Yale University and licensed exclusively to Enzo Biochem, i.e., U.S. Patent No. 5,476,928, entitled "Modified Nucleotides and Polynucleotides and Complexes Form Therefrom," U.S. Patent No. 5,449,767, entitled "Modified Polynucleotides and Methods of Preparing Same," U.S. Patent No. 5,328,824 entitled "Methods of Using Labeled Nucleotides," and U.S. Patent No. 4,711,955, entitled "Modified Nucleotides and Methods of Preparing and Using Same." These four patents have since expired. The other two patents are assigned to Enzo Life Sciences, i.e., U.S. Patent No. 5,082,830 entitled "End Labeled Nucleotide Probe" and U.S. Patent No. 4,994,373 entitled "Method and Structures Employing Chemically‑Labelled Polynucleotide Probes." The

allegedly infringing products include our sequencing reagent kits, our TaqMan® genotyping and gene expression assays, and the gene expression microarrays used with our Expression Array System. Enzo Biochem, Enzo Life Sciences, and Yale University are seeking monetary damages, costs, expenses, injunctive relief, and other relief as the court deems proper. In August and September, 2007, the court issued a series of orders favorable to us and dismissing all of these claims, but Enzo may seek to appeal those orders to the United States Court of Appeals for the Federal Circuit.

Molecular Diagnostics Laboratories filed a class action complaint against us, Hoffmann-La Roche Inc., and Roche Molecular Systems, Inc. in the U.S. District Court for the District of Columbia on September 23, 2004, and filed an amended complaint on July 5, 2006. The amended complaint alleges anticompetitive conduct in connection with the sale of Taq DNA polymerase. The anticompetitive conduct is alleged to arise from the prosecution and enforcement of U.S. Patent No. 4,889,818. This patent is assigned to Roche Molecular Systems, Inc., with whom we have a commercial relationship covering, among other things, this patent and the sale of Taq DNA polymerase. The complaint seeks monetary damages, costs, expenses, injunctive relief, and other relief as the court deems proper. On July 5, 2006, the court certified the case as a class action.

We are involved in several legal actions with Thermo Electron Corporation and its subsidiary Thermo Finnigan LLC. These legal actions commenced when we, together with MDS, Inc. and our Applied Biosystems/MDS Analytical Technologies Instruments joint venture with MDS, formerly named Applied Biosystems/MDS SCIEX Instruments, filed a patent infringement action against Thermo Electron in the U.S. District Court for the District of Delaware on September 3, 2004. The complaint alleges infringement by Thermo Electron of U.S. Patent No. 4,963,736, and seeks monetary damages, costs, expenses, and other relief as the court deems proper. Thermo Electron has answered the complaint and counterclaimed for declaratory relief that the ' 736 patent is invalid, not infringed, and unenforceable, and is seeking dismissal of our complaint, a judgment that the ' 736 patent is invalid, not infringed, and unenforceable, costs and expenses, and other relief as the court deems proper. After the filing of the action against Thermo Electron, on December 8, 2004, Thermo Finnigan filed a patent infringement action against us in the U.S. District Court for the District of Delaware. The complaint alleges that we have infringed U.S. Patent No. 5,385,654 as a result of, for example, our commercialization of the ABI PRISM® 3700 Genetic Analyzer. Thermo Finnigan is seeking monetary damages, costs, expenses, and other relief as the court deems proper. We have answered the complaint and counterclaimed for declaratory relief that the ' 654 patent is invalid, not infringed, and unenforceable, and are seeking dismissal of Thermo Finnigan' s complaint, a judgment that the ' 654 patent is invalid, not infringed, and unenforceable, costs and expenses, and other relief as the court deems proper. Thermo Finnigan subsequently filed a second patent infringement action against us, MDS, and the Applied Biosystems/MDS Analytical Technologies Instruments joint venture in the U.S. District Court for the District of Delaware on February 23, 2005. The complaint alleges that we and the other defendants have infringed U.S. Patent No. 6,528,784 as a result of, for example, our commercialization of the API 5000™ LC/MS/MS system. Thermo Finnigan is seeking monetary damages, costs, expenses, and other relief as the court deems proper. We have answered the complaint and counterclaimed for declaratory relief that the ' 784 patent is invalid and not infringed, and are seeking dismissal of Thermo Finnigan' s complaint, a judgment that the ' 784 patent is invalid and not infringed, costs and expenses, and other relief as the court deems proper.

We filed a complaint for patent infringement against Michigan Diagnostics LLC on March 26, 2007, in the U.S. District Court for the District of Massachusetts. We amended the complaint

on April 5, 2007. The amended complaint alleges infringement by Michigan Diagnostics of U.S. Patent Nos. 6,514,717, 6,322,727 and 6,107,024, which are related to chemiluminescent products and methods, and seeks monetary damages, costs, expenses, injunctive, and other relief as the court deems proper. Michigan Diagnostics filed an answer and counterclaims to our complaint on January 7, 2008, seeking a declaratory judgment of non-infringement, invalidity, and unenforceability of approximately 60 patents related to chemiluminescent products and methods, and including antitrust claims based on our alleged misconduct in our alleged enforcement of those patents.

We filed a complaint on May 31, 2007, in the U.S. District Court for the Northern District of California against Illumina, Inc., Solexa Inc., and a former chief patent counsel to our company, seeking an injunction restoring to us patents and patent applications that were filed by the former chief patent counsel but are on their face assigned to Solexa, which was acquired by Illumina in January 2007. The complaint also seeks a declaration of our rights and duties regarding infringement of these patents, in addition to monetary damages, costs, expenses, and other relief as the court deems proper. On August 13, 2007, Solexa filed its answer to the complaint and counterclaimed that we make, use, sell, and offer for sale DNA sequencing products that infringe the patents, U.S. Patent Nos. 5,750,341, 5,969,119, 6,306,597. Solexa is seeking monetary damages, costs, expenses, injunctive relief, and other relief as the court deems proper.

On June 9, 2008, Fluidigm Corporation filed a complaint against us in the U.S. District Court for the Southern District of New York seeking a declaratory judgment of non-infringement and invalidity of our U.S. Patent No. 6,814,934, which relates to instruments for real-time PCR detection. The complaint also seeks costs, expenses and other relief as the court deems proper.

On June 30, 2008, Corbett Life Science, Corbett Robotics Inc., and Corbett Research Pty Ltd. filed a complaint against us in the U.S. District Court for the Northern District of California seeking a declaratory judgment of non-infringement, invalidity, and unenforceability of our U.S. Patent No. 6,814,934, which relates to instruments for real-time PCR detection. The complaint also seeks costs, expenses and other relief as the court deems proper.

Other Legal Proceedings

We and some of our officers are defendants in a lawsuit brought on behalf of purchasers of Celera stock in our follow-on public offering of Celera stock completed on March 6, 2000. In the offering, we sold an aggregate of approximately 4.4 million shares of Celera stock at a public offering price of $225 per share. The lawsuit, which was commenced with the filing of several complaints in April and May 2000, is pending in the U.S. District Court for the District of Connecticut, and an amended consolidated complaint was filed on August 21, 2001. The consolidated complaint generally alleges that the prospectus used in connection with the offering was inaccurate or misleading because it failed to adequately disclose the alleged opposition of the Human Genome Project and two of its supporters, the governments of the U.S. and the U.K., to providing patent protection to our genomic-based products. Although our former Celera group never sought, or intended to seek, a patent on the basic human genome sequence data, the complaint also alleges that we did not adequately disclose the risk that the Celera group would not be able to patent this data. The consolidated complaint seeks monetary damages, rescission, costs and expenses, and other relief as the court deems proper. On March 31, 2005, the court certified the case as a class action.

We are a party to the action U.S. v. Davis, pending in the U.S. District Court for the District of Rhode Island. We were brought into the case along with numerous other companies as a result of a third party complaint filed by United Technologies Corporation ("UTC") seeking contribution for environmental cleanup costs imposed by the U.S. government for a property in Rhode Island. Our involvement in this legal action arises from allegations that some of our company' s hazardous waste was deposited at this property in the 1970s. In December 1998, the District Court found us liable to UTC along with certain, but not all, of the defendants in the case. We appealed this decision to the U.S. Court of Appeals for the First Circuit, but the appeals court affirmed the decision. Until recently, we expected the cleanup of this property to be limited to soil contamination and we had expected that the amount of our liability for this property would be less than $200,000. In December 2007, we were notified by the U.S. Environmental Protection Agency, or EPA, that it intends to conduct a study of groundwater contamination at the property, rejecting the conclusions of a study of the site that had been performed by one of our co-defendants, Ashland Chemical. We, along with some other co-defendants, may be required to contribute substantial additional funds to the cleanup of the groundwater, depending on the findings of the EPA study and whether it orders a cleanup plan. Also, Ashland Chemical has sued us and other co-defendants for contribution towards the approximately $2 million it allegedly incurred for its groundwater study as well as future groundwater cleanup costs.

In May 2007, the California Regional Water Quality Control Board issued an administrative order that requires us to conduct an environmental investigation and remediation, or cleanup, at a property in Mountain View, California. The property was occupied from 1963 through 1984 by one of our former operating divisions that was discontinued shortly after it vacated the property. The order is based on allegations of environmental contamination at the site caused by the former division in the 1960s and 1970s. The proceedings before the Board formally commenced in November 2006, and in May 2007 the Board issued a final order that named us and the current property owner as the responsible parties. Under the terms of an agreement between us and the current property owner, we are responsible for the costs associated with cleanup of the property, but we believe these costs, other than a portion of our legal fees, will be covered by insurance. We have commenced cleanup activities pursuant to and in accordance with the order. We previously considered appealing the order but we are no longer pursuing that appeal.

Celera Separation Indemnity Provisions

On May 8, 2008, we entered into a Separation Agreement with Celera Corporation, at that time one of our wholly-owned subsidiaries, to separate all of the business, assets, and liabilities of the Celera group from our remaining business. This separation was completed on July 1, and Celera Corp. is now an independent company that holds all of the business, assets, and liabilities previously attributed to the Celera group. More information about the Celera group separation is set forth above in Item 1 of this report under the heading "Celera Separation."

Under the terms of the Separation Agreement, Celera Corp. has agreed to indemnify us for losses we incur in connection with the class action lawsuit relating to the 2000 offering of Celera stock, described above. Celera Corp. has also agreed to indemnify us for losses we incur in connection with the Enzo Biochem/Enzo Life Sciences/Yale University, Molecular Diagnostics, Fluidigm, and Corbett legal actions described above, but only to the extent that, after a final resolution of these matters, the losses are determined to relate to the business, assets, or liabilities of the Celera group. This determination, however, would require the agreement of Celera Corp., and if agreement could not be reached we would need to seek to resolve any dispute pursuant to the procedures set forth in the Separation Agreement. Accordingly, we cannot provide any assurances

as to whether or to what extent we may seek or obtain indemnity payments from Celera Corp. for losses incurred in connection with the Enzo Biochem/Enzo Life Sciences/Yale University, Molecular Diagnostics, Fluidigm, or Corbett legal actions. The Separation Agreement contains similar provisions for future legal actions against us that may involve both the Applied Biosystems and Celera businesses, and for the same reasons it is inherently uncertain whether we would be able to seek or recover any indemnity payments from Celera Corp. for losses incurred in any future legal actions. Under the Separation Agreement the amount of any indemnity payable to us for losses from any of these legal actions would be reduced by the amount of any insurance proceeds we receive covering the underlying loss, as well as the tax benefit realized because of the loss.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Registrant' s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The principal U.S. market where shares of Applied Biosystems stock are traded is the New York Stock Exchange. Applied Biosystems stock is listed on the New York Stock Exchange under the trading symbol "ABI." We also previously were the issuer of Celera stock, but all of the outstanding shares of this class of stock were redeemed and exchanged pursuant to the separation of the Celera group business, which is described above in Item 1 of this report under the heading "Celera Separation."

The high and low sales prices of Applied Biosystems stock and Celera stock for each quarterly period during our 2008 and 2007 fiscal years is incorporated herein by reference to Note 13 to our consolidated financial statements on pages 78 and 79 of our 2008 Annual Report.

Holders and Market Value Calculation

On August 25, 2008, the approximate number of holders of Applied Biosystems stock was 4,773. The approximate number of holders is based upon the actual number of holders registered in our records at such date and excludes holders of shares in "street name" or persons, partnerships, associations, corporations, or other entities identified in security position listings maintained by depository trust companies. The calculation of the market value of shares of Applied Biosystems stock and Celera stock held by non-affiliates as of December 31, 2007, shown on the cover of this report, was made on the assumption that there were no affiliates other than executive officers and directors as of the date of calculation.

Dividends

Information about the amount of quarterly dividends paid on Applied Biosystems stock during our 2008 and 2007 fiscal years is incorporated herein by reference to Note 13 to our consolidated financial statements on pages 78 and 79 of our 2008 Annual Report. Under the

Invitrogen Merger Agreement, we are allowed to continue paying our regular quarterly dividend of $0.0425 per share of Applied Biosystems stock but are otherwise restricted from paying any dividends on our stock. More information about the Merger Agreement is set forth above in Item 1 of this report under the heading "Invitrogen Merger Agreement."

We never paid any dividends on Celera stock prior to the redemption and exchange of all outstanding shares of Celera stock pursuant to the separation of the Celera group business, which is described above in Item 1 of this report under the heading "Celera Separation."

Sale of Unregistered Securities

We have not sold any equity securities during our 2008 fiscal year that were not registered under the Securities Act of 1933.

Issuer Purchases of Equity Securities

This table provides information about our purchases of shares of Applied Biosystems stock during the fourth quarter of our 2008 fiscal year.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2) (3)
April 1-30, 2008	–	–	–	$500 million
May 1-31, 2008	–	–	–	$500 million
June 1-30, 2008	–	–	–	$500 million
Total	–	–	–	$500 million

(1) On April 26, 2007, we announced that our Board of Directors authorized the repurchase of up to 18,400,000 shares of Applied Biosystems stock, in addition to the authorization described in footnote (2) below. On August 8, 2007, we announced that our Board of Directors increased this authorization to $1.2 billion (in the aggregate, including approximately $100 million of Applied Biosystems stock previously repurchased under the authorization prior to the increase), which at market prices on that date represented approximately 20% of the outstanding shares of Applied Biosystems stock, or double the authorization prior to the increase. The increased authorization has no time restrictions and delegates to Company management discretion to purchase shares at times and prices it deems appropriate through open market purchases, privately negotiated transactions, tender offers, exchange offers, or otherwise. Subsequent to the increase in the authorization, we engaged in an Accelerated Share Repurchase Transaction with Morgan Stanley & Co. Incorporated. Pursuant to this transaction, we paid Morgan Stanley $600 million, plus transaction costs, in exchange for a total of approximately 17.9 million shares at an average price per share of $33.5276, excluding transaction costs. This transaction was completed in January 2008. The dollar value reported in this column represents the maximum dollar value of shares that could have been repurchased under the increased authorization at the end of each month of the fourth fiscal quarter taking into account the completed Accelerated Share Repurchase Transaction. More information about the Accelerated Share Repurchase Transaction is set forth above in Item 1 of this report under the heading "Company Overview-Accelerated Share Repurchase; Term Loan."

(2)

We previously announced that our Board of Directors has authorized the repurchase of shares of Applied Biosystems stock from time to time to replenish shares issued under our various employee stock benefit plans. This authorization has no set dollar or time limits and delegates to our management discretion to

purchase shares at times and prices it deems appropriate through open market or negotiated purchases. Accordingly, the amounts in this column do not reflect this authorization. No shares were purchased under this authorization during the fourth quarter of our 2008 fiscal year.

(3) Under the Invitrogen Merger Agreement, we are restricted from repurchasing shares of Applied Biosystems stock, including pursuant to the authorizations described in footnotes (1) and (2) above. More information about the Merger Agreement is set forth above in Item 1 of this report under the heading "Invitrogen Merger Agreement."

This table provides information about our purchases of shares of Celera stock during the fourth quarter of our 2008 fiscal year.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1-30, 2008	–	–	–	–
May 1-31, 2008	–	–	–	–
June 1-30, 2008	–	–	–	–
Total	–	–	–	–

(1) We previously announced that our Board of Directors had authorized the repurchase of shares of Celera stock from time to time to replenish shares issued under our various employee stock benefit plans. This authorization had no set dollar or time limits and delegated to our management discretion to purchase shares at times and prices it deemed appropriate through open market or negotiated purchases. Accordingly, the amounts in this column do not reflect this authorization. No shares were purchased under this authorization during the fourth quarter of our 2008 fiscal year. We no longer issue Celera stock because of the separation of the Celera group business described earlier in Item 1 of this report under the heading "Celera Separation." Therefore, this authorization is no longer relevant.

Item 6. Selected Financial Data

We incorporate herein by reference pages 6 and 7 of our 2008 Annual Report.

Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations

We incorporate herein by reference pages 8 through 39 of our 2008 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We incorporate herein by reference pages 38 and 39 of our 2008 Annual Report.

Item 8. Financial Statements and Supplementary Data

The following financial statements and the supplementary financial information included in our 2008 Annual Report are incorporated herein by reference: the Consolidated Financial Statements and the report thereon of PricewaterhouseCoopers LLP dated August 27, 2008, on pages 40 through 94 of our 2008 Annual Report, including Note 13 on pages 78 and 79, which contains unaudited quarterly financial information.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We are responsible for maintaining disclosure controls and procedures, as defined by the Securities and Exchange Commission in its Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Disclosure controls and procedures are controls and other procedures designed to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission' s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated the effectiveness of our disclosure controls and procedures as of the end of our 2008 fiscal year, the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to achieve their stated purpose. However, there is no assurance that our disclosure controls and procedures will operate effectively under all circumstances.

Internal Control Over Financial Reporting

General. We are responsible for maintaining internal control over financial reporting, as defined by the Securities and Exchange Commission in its Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted

accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management Report on Internal Control Over Financial Reporting. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of the end of our 2008 fiscal year, the period covered by this report. The report of our management on internal control over financial reporting, based on this evaluation, appears on page 93 of our 2008 Annual Report. The management report is incorporated into this report by reference.

Attestation Report of our Independent Registered Public Accounting Firm. The report of our independent registered public accounting firm on the effectiveness of our internal control over financial reporting appears on page 94 of our 2008 Annual Report. The attestation report is incorporated into this report by reference.

Changes in Internal Control Over Financial Reporting. Based on our management' s review of internal control over financial reporting as described above, we have not identified any changes made to our internal control over financial reporting during the fourth fiscal quarter of our 2008 fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Identification and Business Experience of Directors

With respect to the identification and business experience of our directors and persons nominated to become directors, we incorporate herein by reference the information contained in our 2008 Proxy Statement under the heading "Proposal 1- Election of Directors."

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Identification and Business Experience of Executive Officers

The following is a list of our executive officers, identifying as of August 27, 2008, their: ages; corporate offices presently held and year first elected to those offices; and other positions currently held.

Name	Age	Present Corporate Offices (Year First Elected)
Ugo D. DeBlasi	46	Vice President and Controller (2003)
Barbara J. Kerr	62	Senior Vice President, Human Resources (2008)
William B. Sawch	53	Senior Vice President (1997) and General Counsel (1993)
Mark P. Stevenson	45	President and Chief Operating Officer (2008)
Tony L. White	62	Chairman and Chief Executive Officer (1995)
Dennis L. Winger	60	Senior Vice President and Chief Financial Officer (1997)

Each of the executive officers identified above was most recently elected to the corporate offices identified above by our Board of Directors at a meeting held on August 21, 2008. The term of each officer will continue until their successors have been duly elected or, if earlier, their death, resignation, or removal. Each of the executive officers has been employed by us or a subsidiary in one or more executive or managerial capacities for at least the past five years.

At the August Board meeting, the Board took several actions regarding our executive officers:

The Board promoted Mr. Stevenson to the position of President and Chief Operating Officer of the company. Mr. White accordingly relinquished his position as President of the company but continues to be our Chairman and Chief Executive Officer. Prior to Mr. Stevenson' s August 2008 promotion, he was promoted to the positions of Senior Vice President of the company and President and Chief Operating Officer of the Applied Biosystems Group in December 2007. Prior to that, he served as one of our Vice Presidents since 2004.

The Board promoted Barbara J. Kerr to the position of Senior Vice President, Human Resources, of the company. Prior to the promotion, Ms. Kerr had served as Vice President, Human Resources, since 2000.

The Board determined that Sandeep Nayyar, an Assistant Controller of the company, should no longer be designated as one of our executive officers. This determination, which resulted solely from the Celera separation, did not affect Mr. Nayyar' s employment or corporate office.

In connection with the separation of the Celera group business described in Item 1 of this report, the following individuals, previously executive officers of the company, terminated their employment with us on July 1, 2008, and became executive officers of Celera Corporation: Joel Jung, formerly Assistant Controller; and Kathy P. Ordoñez, formerly Senior Vice President and President, Celera Group.

Family Relationships

To the best of our knowledge and belief, there is no family relationship between any of our directors, executive officers, or persons nominated or chosen by us to become a director or an executive officer.

Involvement in Certain Legal Proceedings

To the best of our knowledge and belief, none of our directors, persons nominated to become directors, or executive officers has been involved in any proceedings during the past five years that are material to an evaluation of the ability or integrity of such persons to be our directors or executive officers.

Audit Committee and Audit Committee Financial Expert

We have a separately designated standing audit committee of our Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. We have named that committee our "Audit/Finance Committee." The members of that committee as of the date of this report are George F. Adam, Jr., Robert H. Hayes (co-chair), Theodore E. Martin, and James R. Tobin (co-chair). Our Board of Directors has determined that Messrs. Adam, Martin, and Tobin are "audit committee financial experts" as that term has been defined by the Securities and Exchange Commission in Item 407(d)(5) of its Regulation S-K. The designation of members of our Audit/Finance Committee as "audit committee financial experts" does not impose on those members any duties, obligations, or liabilities that are greater than those generally imposed on them as members of our Audit/Finance Committee and Board of Directors, and does not affect the duties, obligations, or liabilities of any other member of our Audit/Finance Committee or Board of Directors. Additional information about our Audit/Finance Committee is incorporated by reference to the information contained in our 2008 Proxy Statement under the heading "Board of Directors and Committees‑ Board Committees‑ Audit/Finance Committee."

Recommendation of Nominees to our Board of Directors

Information concerning our procedures by which security holders may recommend nominees to our Board of Directors is incorporated herein by reference to the information contained in our 2008 Proxy Statement under the heading "Board of Directors and Committees‑ Board Committees‑ Nominating/Corporate Governance Committee." We have not made any material changes to these procedures since they were last disclosed in our Proxy Statement relating to our 2007 Annual Meeting of Stockholders.

Section 16(a) Beneficial Ownership Reporting Compliance

We are required to identify any officer, director, or beneficial owner of more than 10% of our Applied Biosystems stock or Celera stock who failed to timely file with the Securities and Exchange Commission and the New York Stock Exchange a required report relating to beneficial ownership of stock under Section 16(a) of the Securities Exchange Act of 1934. Based solely on a review of information provided to us, all persons subject to these reporting requirements filed the required reports on a timely basis for our 2008 fiscal year.

Code of Ethics

We have adopted a code of ethics that applies to our officers, directors, and employees. Our code of ethics, which we refer to as our "Code of Business Conduct and Ethics," was designed to comply with the definition of "code of ethics" adopted by the Securities and Exchange Commission as applicable to our Chief Executive Officer (our principal executive officer), our Chief Financial Officer (our principal financial officer), and our Controller (our principal

accounting officer). This definition is contained in Item 406(b) of the SEC' s Regulation S-K. Our code of ethics was also designed to meet the code of business conduct and ethics requirements promulgated by the New York Stock Exchange, which requirements are set forth in Section 303A.10 of the NYSE Listed Company Manual.

Our Code of Business Conduct and Ethics is posted on our Internet website, which is located at www.appliedbiosystems.com. Also, we intend to post any amendments to or waivers from the code that are applicable to our officers or directors on our Internet website as required to satisfy SEC and New York Stock Exchange disclosure requirements applicable to amendments and waivers. This information can be accessed on our website free of charge as described in Part I, Item 1 of this report on pages 3 and 4 under the heading "Available Information." In addition, you can obtain this information free of charge by calling our corporate Secretary at 203-840-2000 or by making a request in writing mailed to: Applied Biosystems Inc., Attention: Secretary, Applied Biosystems Inc., 301 Merritt 7, Norwalk, CT 06851-1070.

Item 11. Executive Compensation

Information concerning executive compensation is incorporated herein by reference to the information contained in our 2008 Proxy Statement under the heading "Executive Compensation." We also incorporate by reference the information contained in our 2008 Proxy Statement under the heading "Corporate Governance‑ Compensation Committee Interlocks and Insider Participation," and the report of the Management Resources Committee of our Board of Directors contained in our 2008 Proxy Statement under the heading "Executive Compensation‑ Compensation Committee Report."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about shares of Applied Biosystems stock that may be issued under our equity compensation plans, including compensation plans that were approved by our stockholders as well as compensation plans that were not approved by our stockholders. Information in the table is as of the end of our 2008 fiscal year.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	20,386,759[1]	$37.1514[2]	9,049,762[3]
Equity compensation plans not approved by stockholders	0	0	0
Total	20,386,759[1]	$37.1514[2]	9,049,762[3]

(1) The number in this column includes: 18,230,620 shares of Applied Biosystems stock issuable upon the exercise of options outstanding under The Perkin-Elmer Corporation 1998 Stock Incentive Plan and our Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan; 1,980,635 restricted stock units ("RSUs") outstanding under the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan, each of which represents the right to receive one share of Applied Biosystems stock at the time the RSU vests; and 175,504 units outstanding under the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan and the Amended and Restated 1993 Director Stock Purchase and Deferred Compensation Plan, each of which represents a full share of stock deferred by non-management directors. The number in this column does not include outstanding rights under our 1999 Employee Stock Purchase Plan (the "ESPP"), which are discussed in footnote (3) below.

(2) The weighted-average exercise price calculation does not take into account the RSUs and deferred stock units referred to in note 1 to this table because the conversion or settlement of these rights into stock does not require the payment of consideration.

(3) The number in this column includes: 7,742,215 shares of Applied Biosystems stock issuable pursuant to options and other rights authorized for future issuance under our Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan; 288,302 shares of Applied Biosystems stock remaining available for future issuance under our 1993 Director Stock Purchase and Deferred Compensation Plan; and 1,019,245 shares of Applied Biosystems stock remaining available for future issuance under our ESPP. As of the end of our 2008 fiscal year, we had open ESPP purchase periods in several foreign countries which could result in the future issuance of shares out of the 1,019,245 reserve under that plan. However, the total number of shares that are subject to purchase in relation to these ESPP purchase periods will vary depending on the final determination of the applicable per share purchase price and fluctuations in exchange rates between local currencies and the U.S. Dollar.

We note that, as of the end of our 2008 fiscal year, we had equity compensation plans under which shares of our Celera stock could have been issued. However, effective as of July 1, 2008, we no longer issue Celera stock because of the separation of the Celera group business described earlier in Item 1 of this report under the heading "Celera Separation." All of the options, warrants, and rights to acquire Celera stock

that were outstanding on June 30 were assumed by Celera Corporation pursuant to the Celera separation, and we will no longer issue any shares of

Celera stock, or options, warrants, or rights to Celera stock, pursuant to any of our equity compensation plans. Accordingly, the table above does not include information regarding options, warrants, or rights to purchase Celera stock outstanding at the end of our 2008 fiscal year or the equity compensation plans under which shares of Celera stock could have been issued as of the end of our 2008 fiscal year.

Security Ownership of Certain Beneficial Owners

Information concerning the security ownership of certain beneficial owners is incorporated herein by reference to the information contained in our 2008 Proxy Statement under the heading "Ownership of Company Stock- Greater than 5% Beneficial Owners."

Security Ownership of Management

Information concerning the security ownership of management is incorporated herein by reference to the information contained in our 2008 Proxy Statement under the heading "Ownership of Company Stock- Directors and Executive Officers."

Changes in Control

On June 11, 2008, we entered into an Agreement and Plan of Merger with Invitrogen Corporation and Atom Acquisition, LLC, a direct wholly-owned subsidiary of Invitrogen. Pursuant to the Invitrogen Merger Agreement, subject to conditions specified in the Merger Agreement, we will merge with and into Atom Acquisition, with that company continuing as the surviving company and a direct wholly-owned subsidiary of Invitrogen. More information about the Merger Agreement is set forth above in Item 1 of this report under the heading "Invitrogen Merger Agreement." We otherwise know of no arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of our company.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information concerning certain relationships and related party transactions and director independence is incorporated herein by reference to the information contained in our 2008 Proxy Statement under the headings "Corporate Governance- Related Party Transactions" and "Corporate Governance- Director Independence."

Item 14. Principal Accountant Fees and Services

Information concerning fees billed by PricewaterhouseCoopers LLP, our independent registered public accounting firm, during our 2008 and 2007 fiscal years, and information concerning the pre-approval policies and procedures of the Audit/Finance Committee of our Board of Directors, is incorporated herein by reference to the information contained in our 2008 Proxy Statement under the heading "Proposal 2- Ratification of the Selection of Independent Registered Public Accounting Firm."

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements

The following financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated August 27, 2008, appearing in our 2008 Annual Report, are incorporated by reference in this report. With the exception of the aforementioned information and that which is specifically incorporated in Parts I and II of this report, our 2008 Annual Report is not to be deemed filed as part of this report.

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Consolidated Statements of Operations Fiscal years 2008, 2007, and 2006	40
Consolidated Statements of Financial Position At June 30, 2008 and 2007	41
Consolidated Statements of Cash Flows Fiscal years 2008, 2007, and 2006	42
Consolidated Statements of Stockholders' Equity Fiscal years 2008, 2007, and 2006	43
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Financial Statement Schedule

The following additional financial data should be read in conjunction with the consolidated financial statements in our 2008 Annual Report. Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Exhibits

Exhibit No.	
2.1	Agreement and Plan of Merger dated March 10, 1999, among The Perkin-Elmer Corporation, a New York corporation, the company, and PE Merger Corp., a New York corporation (incorporated by reference to Exhibit 2.1 to our Registration Statement on Form S-4 (No. 333-67797)).
2.2	Agreement and Plan of Merger dated as of December 24, 2005, by and among Ambion, Inc., the company, Ambion Acquisition Corp., and Matthew M. Winkler, in his capacity as Representative (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2005 (Commission file number 001-04389)).
2.3	Agreement and Plan of Merger dated as of August 31, 2007, among the company, Barolo Acquisition, Inc., Berkeley HeartLab, Inc., and James Caccavo as the Shareholder Representative (incorporated by reference to Exhibit 2.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission file number 001-04389)).
2.4	Agreement and Plan of Merger dated as of June 11, 2008, among Invitrogen Corporation, Atom Acquisition, LLC, and the company (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K/A dated June 11, 2008, and filed June 23, 2008 (Commission file number 001-04389)).
3.1.1	Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated November 30, 2006, and filed December 1, 2006 (Commission file number 001-04389)).
3.1.2	Certificate of Designations of Series A Participating Junior Preferred Stock and Series B Participating Junior Preferred Stock (incorporated by reference to Exhibit A to Exhibit 4.1 to our Registration Statement on Form S-4 (No. 333-67797)).
3.2	By-laws as amended through August 21, 2008 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated August 21, 2008, and filed August 26, 2008 (Commission file number 001-04389)).

4.1.1	Stockholder Protection Rights Agreement dated as of April 28, 1999, between the company and BankBoston, N.A. (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-4 (No. 333-67797)).
4.1.2	Amendment to Rights Agreement dated as of April 17, 2002, among BankBoston, N.A., EquiServe Trust Company, N.A., and the company (incorporated by reference to Exhibit 4.2 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2002 (Commission file number 001-04389)).
4.1.3	Second Amendment to Rights Agreement dated as of June 11, 2008, by and between the company and EquiServe Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated June 11, 2008, and filed June 12, 2008 (Commission file number 001-04389)).
4.2	Credit Agreement dated as of May 25, 2007, among the company, the initial lenders named therein, Citigroup Global Markets Inc., as sole arranger, JPMorgan Chase Bank, N.A., as syndication agent, Bank of America, N.A. and ABN AMRO Bank N.V., as co-documentation agents, and Citibank, N.A., as administrative agent (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated May 25, 2007, and filed May 31, 2007 (Commission file number 001-04389)).
4.3	Term Loan Agreement dated as of August 27, 2007, among the company, Bank of America, N.A., as administrative agent, and the initial lenders named therein (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated August 27, 2007, and filed August 28, 2007 (Commission file number 001-04389)).
10.1.1	The Perkin-Elmer Corporation 1997 Stock Incentive Plan (incorporated by reference to Exhibit 99 to our Registration Statement on Form S-8 (No. 333-38713)).*
10.1.2	Form of Non-Qualified Stock Option Agreement for executive officers pursuant to The Perkin-Elmer Corporation 1997 Stock Incentive Plan (incorporated by reference to Exhibit 10.4.2 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.2.1	The Perkin-Elmer Corporation 1998 Stock Incentive Plan (incorporated by reference to Exhibit B to our Proxy Statement for our 1998 Annual Meeting of Stockholders (Commission file number 001-04389)).*
10.2.2	Form of Director Stock Option Agreement pursuant to The Perkin-Elmer Corporation 1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.5.2 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.3	1999 Employee Stock Purchase Plan, as amended October 18, 2007 (incorporated by reference to Annex A to Schedule 14A, filed September 6, 2007, containing our definitive Proxy Statement for our 2007 Annual Meeting of Stockholders (Commission file number 001-04389)).*
10.4.1	Applied Biosystems Group 1999 Stock Incentive Plan, as amended through August 21, 2003 (incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2003 (Commission file number 001-04389)).*
10.4.2	Form of Non-Qualified Stock Option Agreement for executive officers pursuant to the Applied Biosystems Group 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.7.2 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.4.3	Form of Incentive Stock Option Agreement for executive officers pursuant to the Applied Biosystems Group 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.7.3 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.4.4	Forms of Stock Option Agreements for executive officers pursuant to the Applied Biosystems Group 1999 Stock Incentive Plan, relating to non-qualified options issued in conjunction with

	awards under the Performance Unit Bonus Plan (incorporated by reference to Exhibit 10.7.4 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.4.5	Form of Director Stock Option Agreement pursuant to the Applied Biosystems Group 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.7.6 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.4.6	Forms of Performance Stock Option Agreements for executive officers pursuant to the Applied Biosystems Group 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.7.7 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.5.1	Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan, effective October 21, 2004 (incorporated by reference to Annex B to Schedule 14A, filed September 17, 2004, containing our definitive Proxy Statement for our 2004 Annual Meeting of Stockholders (Commission file number 001-04389)).*
10.5.2	Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan, as amended on October 19, 2006 (incorporated by reference to Annex A to Schedule 14A, filed September 11, 2006, containing our definitive Proxy Statement for our 2006 Annual Meeting of Stockholders (Commission file number 001-04389)).*
10.5.3	Form of Non-Qualified Stock Option Agreement for executive officers pursuant to the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.8.2 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.5.4	Form of Incentive Stock Option Agreement for executive officers pursuant to the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.8.3 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.5.5	Form of Non-Qualified Stock Option Agreement for executive officers pursuant to the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan, as amended on October 19, 2006 (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2007 (Commission file number 001-04389)).*
10.5.6	Form of Restricted Stock Bonus Agreement for executive officers pursuant to the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.8.4 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.5.7	Form of Restricted Stock Unit Award Agreement for awards to executive officers pursuant to the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan relating to performance during the 2006 through 2009 fiscal years (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2005 (Commission file number 001-04389)).*
10.5.8	Form of Restricted Stock Unit Award Agreement for awards to executive officers pursuant to the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan that vest based on performance (incorporated by reference to Exhibit 10.8.6 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2006 (Commission file number 001-04389)).*
10.5.9	Form of Performance Share Award Agreement for executive officers pursuant to the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan relating to performance during the 2007 through 2009 fiscal years (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006 (Commission file number 001-04389)).*

10.5.10	Form of Director Stock Option Agreement pursuant to the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K dated October 21, 2004, and filed October 27, 2004 (Commission file number 001-04389)).*
10.5.11	Form of Director Stock Award Agreement pursuant to the Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated October 21, 2004, and filed October 27, 2004 (Commission file number 001-04389)).*
10.6.1	Celera Group 1999 Stock Incentive Plan, as amended through August 21, 2003 (incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2003 (Commission file number 001-04389)).*
10.6.2	Form of Non-Qualified Stock Option Agreement for executive officers pursuant to the Celera Group 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.9.2 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.6.3	Form of Incentive Stock Option Agreement for executive officers pursuant to the Celera Group 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.9.3 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.6.4	Forms of Stock Option Agreements for executive officers pursuant to the Celera Group 1999 Stock Incentive Plan, relating to non-qualified options issued in conjunction with awards under the Performance Unit Bonus Plan (incorporated by reference to Exhibit 10.9.4 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.6.5	Form of Director Stock Option Agreement pursuant to the Celera Group 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.9.6 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.6.6	Form of Scientific Advisory Board Stock Option Agreement pursuant to the Celera Group 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.9.7 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.7.1	Celera Group Amended and Restated 1999 Stock Incentive Plan, effective October 21, 2004 (incorporated by reference to Annex C to Schedule 14A, filed September 17, 2004, containing our definitive Proxy Statement for our 2004 Annual Meeting of Stockholders (Commission file number 001-04389)).*
10.7.2	Celera Group Amended and Restated 1999 Stock Incentive Plan, as amended on October 19, 2006 (incorporated by reference to Annex B to Schedule 14A, filed September 11, 2006, containing our definitive Proxy Statement for our 2006 Annual Meeting of Stockholders (Commission file number 001-04389)).*
10.7.3	Form of Non-Qualified Stock Option Agreement for executive officers pursuant to the Celera Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.10.2 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.7.4	Form of Incentive Stock Option Agreement for executive officers pursuant to the Celera Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.10.3 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.7.5	Form of Non-Qualified Stock Option Agreement for executive officers pursuant to the Celera Group Amended and Restated 1999 Stock Incentive Plan, as amended on October 19, 2006 (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2007 (Commission file number 001-04389)).*

10.7.6	Form of Restricted Stock Bonus Agreement for executive officers pursuant to the Celera Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.10.4 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.7.7	Form of Restricted Stock Unit Award Agreement for awards to executive officers pursuant to the Celera Group Amended and Restated 1999 Stock Incentive Plan that vest based on performance (incorporated by reference to Exhibit 10.10.5 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2006 (Commission file number 001-04389)).*
10.7.8	Form of Performance Share Award Agreement for executive officers pursuant to the Celera Group Amended and Restated 1999 Stock Incentive Plan relating to performance during the 2007 through 2009 fiscal years (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006 (Commission file number 001-04389)).*
10.7.9	Form of Director Stock Option Agreement pursuant to the Celera Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K dated October 21, 2004, and filed October 27, 2004 (Commission file number 001-04389)).*
10.7.10	Form of Director Stock Award Agreement pursuant to the Celera Group Amended and Restated 1999 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K dated October 21, 2004, and filed October 27, 2004 (Commission file number 001-04389)).*
10.8	The Perkin-Elmer Corporation Supplemental Retirement Plan effective as of August 1, 1979, as amended through October 1, 1996 (incorporated by reference to Exhibit 10(22) to our Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (Commission file number 001-04389)).*
10.9	Supplemental Executive Retirement Plan effective as of December 31, 2005, as amended and restated as of August 28, 2006 (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006 (Commission file number 001-04389)).*
10.10	Excess Benefit Plan, as amended and restated effective July 1, 2004 (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission file number 001-04389)).*
10.11	Amended and Restated 1993 Director Stock Purchase and Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated February 8, 2008, and filed February 11, 2008 (Commission file number 001-04389)).*
10.12.1	Performance Unit Bonus Plan, as amended through August 21, 2003 (incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2003 (Commission file number 001-04389)).*
10.12.2	Forms of Performance Unit Agreements for executive officers pursuant to the Performance Unit Bonus Plan (incorporated by reference to Exhibit 10.14.2 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.13	Estate Enhancement Plan (incorporated by reference to Exhibit 10(22) to our Annual Report on Form 10-K for the fiscal year ended June 30, 1997 (Commission file number 001-04389)).*
10.14.1	Deferred Compensation Plan, as amended and restated effective as of January 1, 2002 (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2001 (Commission file number 001-04389)).*
10.14.2	Amendment, dated as of November 17, 2005, to the Deferred Compensation Plan (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2005 (Commission file number 001-04389)).*

10.15	Axys Pharmaceuticals, Inc. 1989 Stock Plan, as amended through May 21, 1997 (incorporated by reference to Exhibit 10.2 to Annual Report on Form 10-K of Axys Pharmaceuticals, Inc. for the fiscal year ended December 31, 1996 (Commission file number 0-22788)).*
10.16	Axys Pharmaceuticals, Inc. 1997 Equity Incentive Plan, as amended through May 14, 2001 (incorporated by reference to Exhibit 10.30 to our Registration Statement on Form S-8 (No. 333-73980)).*
10.17	Axys Pharmaceuticals, Inc. 1997 Non-Officer Equity Incentive Plan, as amended through October 16, 1998 (incorporated by reference to Exhibit 10.31 to our Registration Statement on Form S-8 (No. 33-73980)).*
10.18	Form of notice to directors, officers, and other employees regarding January 20, 2005, acceleration of stock option vesting, including notice to directors and executive officers regarding restrictions imposed on their accelerated options (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission file number 001-04389)).*
10.19	Form of notice to executive officers and other employees regarding June 2, 2005, acceleration of performance unit bonus plan stock option vesting, including notice regarding restrictions imposed on their accelerated options (incorporated by reference to Exhibit 10.25 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.20.1	Employment Agreement dated as of September 12, 1995, between the company and Tony L. White (incorporated by reference to Exhibit 10(21) to our Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (Commission file number 001-04389)).*
10.20.2	Amendment dated August 17, 2001, to the Employment Agreement dated as of September 12, 1995, between the company and Tony L. White (incorporated by reference to Exhibit 10.l4 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission file number 001-04389)).*
10.20.3	Amendment dated August 28, 2006, to the Employment Agreement dated as of September 12, 1995, between the company and Tony L. White (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006 (Commission file number 001-04389)).*
10.20.4	Transition Services Agreement dated as of June 11, 2008, between the company and Tony L. White.*
10.21	Change of Control Agreement dated as of September 12, 1995, between the company and Tony L. White (incorporated by reference to Exhibit 10(16) to our Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (Commission file number 001-04389)).*
10.22	Employment Agreement dated as of November 16, 1995, between the company and William B. Sawch (incorporated by reference to Exhibit 10(16) to our Annual Report on Form 10-K for fiscal year ended June 30, 1998 (Commission file number 001-04389)).*
10.23	Deferred Compensation Contract dated as of July 15, 1993, between the company and William B. Sawch (incorporated by reference to Exhibit 10(19) to our Annual Report on Form 10-K for the fiscal year ended June 30, 1998 (Commission file number 001-04389)).*
10.24.1	Letter dated June 24, 1997, from the company to Dennis L. Winger (incorporated by reference to Exhibit 10(18) to our Annual Report on Form 10-K for the fiscal year ended June 30, 1998 (Commission file number 001-04389)).*

10.24.2	Employment Agreement dated as of September 25, 1997, between the company and Dennis L. Winger (incorporated by reference to Exhibit 10(17) to our Annual Report on Form 10-K for the fiscal year ended June 30, 1998 (Commission file number 001-04389)).*

10.24.3	Letter dated August 21, 2003, from the company to Dennis L. Winger regarding the letter dated June 24, 1997, from the company to Dennis L. Winger (incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2003 (Commission file number 001-04389)).*
10.24.4	Letter dated August 28, 2006, from the company to Dennis L. Winger, supplementing employment letters from the company to Dennis L. Winger dated June 24, 1997, and August 21, 2003 (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006 (Commission file number 001-04389)).*
10.25	Employment Agreement dated as of December 1, 2000, between the company and Kathy P. Ordoñez (incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2002 (Commission file number 001-04389)).*
10.26	Employment Agreement dated as of September 5, 2000, between the company and Barbara J. Kerr (incorporated by reference to Exhibit 10.37 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.27	Employment Agreement dated as of December 2, 1996, between the company and Ugo D. DeBlasi (incorporated by reference to Exhibit 10.38 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission file number 001-04389)).*
10.28	Employment offer letter to Joel R. Jung dated January 13, 2006 (incorporated by reference to Exhibit 10.41 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2006 (Commission file number 001-04389)).*
10.29	Executive Perquisites Policy provisions applicable to members of the company' s Management Executive Committee, including "named executive officers" as such term is defined by SEC rules (incorporated by reference to Exhibit 10.29 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2007 (Commission file number 001-04389)).*
10.30.1	Employment Agreement dated as of September 1, 2007, between the company and Mark P. Stevenson (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission file no. 001-04389)).*
10.30.2	Amendment No. 1 to Employment Agreement between the company and Mark P. Stevenson dated as of June 11, 2008.*
10.31	Executive Severance Pay Policy.*
10.32.1	Celera Diagnostics Joint Venture Agreement dated as of April 1, 2001, among the company, its Applied Biosystems Group, its Celera Group, Foster City Holdings, LLC, and Rockville Holdings, LLC (incorporated by reference to Exhibit 10.36 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2002 (Commission file number 001-04389)).
10.32.2	Amendment, dated as of June 22, 2004, to Celera Diagnostics Joint Venture Agreement dated as of April 1, 2001, among the company, its Applied Biosystems Group, its Celera Group, Foster City Holdings, LLC, and Rockville Holdings, LLC (incorporated by reference to Exhibit 10.34 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission file no. 001-04389)).
10.32.3	Celera Diagnostics Reorganization Agreement dated as of April 22, 2006, and effective as of January 1, 2006, among the company, its Applied Biosystems group, its Celera group, Foster City Holdings, LLC, and Rockville Holdings, LLC (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006 (Commission file no. 001-04389)).

10.33.1	Celera/Applied Biosystems Marketing and Distribution Agreement dated as of February 27, 2003, and effective as of April 1, 2002, among the company, its Applied Biosystems group, and its Celera group (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2003 (Commission file no. 001-04389)).

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10.33.2	Amended and Restated Celera/Applied Biosystems Marketing and Distribution Agreement dated as of June 22, 2004 among the company, its Applied Biosystems group, and its Celera group (incorporated by reference to Exhibit 10.36 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission file no. 001-04389)).
10.33.3	Amendment, dated as of February 4, 2005, to Celera/Applied Biosystems Marketing and Distribution Agreement among the company, its Applied Biosystems group, and its Celera group (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission file no. 001-04389)).
10.34	Restated Strategic Alliance Agreement, effective as of January 9, 2006, among the company, Celera Diagnostics, LLC, and Abbott Laboratories (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006 (Commission file no. 001-04389)).**
10.35	Letter Agreement regarding Fixed Dollar Collar Accelerated Share Repurchase Transaction dated August 30, 2007, between the company and Morgan Stanley & Co. Incorporated (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission file no. 001-04389)).
10.36.1	Separation Agreement dated as of May 8, 2008, by and between the company and Celera Corporation (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated May 8, 2008, and filed May 12, 2008 (Commission file number 001-04389)).
10.36.2	Tax Matters Agreement dated as of July 1, 2008, among the company, Celera Corporation, and their affiliates specified therein.
10.36.3	Operating Agreement dated as of July 1, 2008, between the company and Celera Corporation.***
11	Computation of Net Income (Loss) per Share for the three years ended June 30, 2008 (incorporated by reference to Note 1 to Consolidated Financial Statements of Annual Report to Stockholders for the fiscal year ended June 30, 2008).
13	Annual Report to Stockholders for the fiscal year ended June 30, 2008 (to the extent incorporated herein by reference).
21	List of Subsidiaries.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement.

** Portions of this exhibit, as filed in the referenced Quarterly Report, were omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

*** Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APPLIED BIOSYSTEMS INC.

By /s/ William B. Sawch
William B. Sawch
Senior Vice President and General Counsel

Date: August 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Tony L. White Tony L. White Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	August 27, 2008
/s/ Dennis L. Winger Dennis L. Winger Senior Vice President and Chief Financial Officer (Principal Financial Officer)	August 27, 2008
/s/ Ugo D. DeBlasi Ugo D. DeBlasi Vice President and Controller (Principal Accounting Officer)	August 27, 2008

/s/ George F. Adam, Jr. George F. Adam, Jr. Director	August 27, 2008
/s/ Robert H. Hayes Robert H. Hayes Director	August 27, 2008
/s/ Arnold J. Levine Arnold J. Levine Director	August 27, 2008
/s/ William H. Longfield William H. Longfield Director	August 27, 2008
/s/ Elaine R. Mardis Elaine R. Mardis Director	August 27, 2008
/s/ Theodore E. Martin Theodore E. Martin Director	August 27, 2008
/s/ Carolyn W. Slayman Carolyn W. Slayman Director	August 27, 2008
/s/ James R. Tobin James R. Tobin Director	August 27, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders
of Applied Biosystems Inc. (formerly known as Applera Corporation)

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated August 27, 2008 appearing in the 2008 Annual Report to Stockholders of Applied Biosystems Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15 of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
August 27, 2008

SCHEDULE II

APPLIED BIOSYSTEMS INC.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, AND 2008

(Amounts in thousands)

	Balance For Doubtful Accounts
Balance at June 30, 2005	$ 7,025
Charged to income in fiscal year 2006	1,857
Deductions from reserve in fiscal year 2006	(1,244)
Balance at June 30, 2006	7,638
Charged to income in fiscal year 2007	492
Deductions from reserve in fiscal year 2007	(708)
Balance at June 30, 2007 (1)	7,422
Balance acquired from Berkeley HeartLab, Inc. in fiscal year 2008	5,661
Charged to income in fiscal year 2008	13,458
Deductions from reserve in fiscal year 2008	(10,613)
Balance at June 30, 2008 (1)	$ 15,928

(1) Deducted in the Consolidated Statements of Financial Position from accounts receivable.

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EXHIBIT INDEX

Number	
10.20.4	Transition Services Agreement dated as of June 11, 2008, between the company and Tony L. White.
10.30.2	Amendment No. 1 to Employment Agreement between the company and Mark P. Stevenson dated as of June 11, 2008.
10.31	Executive Severance Pay Policy.
10.36.2	Tax Matters Agreement dated as of July 1, 2008, among the company, Celera Corporation, and their affiliates specified therein.
10.36.3	Operating Agreement dated as of July 1, 2008, between the company and Celera Corporation.***
13	Annual Report to Stockholders for the fiscal year ended June 30, 2008 (to the extent incorporated herein by reference).
21	List of Subsidiaries.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*** Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Exhibit 10.20.4

TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT, dated as of June 11, 2008 (this "Agreement"), is hereby made by and between Applera Corporation, a Delaware corporation (the "Company"), and Tony L. White, a resident of the State of Georgia (the "Executive"). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in that certain Agreement and Plan of Merger, dated as of June 11, 2008 (the "Merger Agreement"), by and among the Company, Invitrogen Corporation and its wholly owned subsidiary Atom Acquisition, LLC.

WHEREAS, the Executive has served as Chairman, President, and Chief Executive Officer of the Company since September 1995; and

WHEREAS, from and after the Effective Time of the Merger, the Executive will no longer serve the Company in such positions, will no longer be employed by the Company and will no longer be an "officer" of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended; and

WHEREAS, from and after the Effective Time of the Merger, the Company desires that the Executive provide certain services to the Company in order to permit the Company to avail itself of the extensive expertise, knowledge, and experience of the Executive in the life science industry and research community and the Executive desires to provide such services to the Company, all upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows.

1. Services to be Provided. The Company hereby agrees to engage the Executive, and the Executive hereby agrees to serve the Company, on the terms and subject to the conditions set forth in this Agreement. Commencing at the Effective Time and from time to time until the expiration of the Service Period (as defined below), the Executive shall: perform such services as the Board of Directors of the Company or of Invitrogen Corporation and the Executive shall mutually and reasonably agree, including, among other things, acting as a spokesman and ambassador of the Company, making presentations to investors, analysts, trade organizations, government entities, and similar bodies, serving as a member of boards or organizations such as the Standards, Productivity and Innovation Board of Singapore, on which he currently serves, and providing consultation services. The Company and the Executive reasonably anticipate that following the Effective Time, Executive' s level of services provided to the Company will be reduced permanently to a level less than or equal to twenty (20%) percent of the level of services provided prior to the Effective Time. The Company shall provide the Executive with reasonable advance notice of the services required to be performed by the Executive under this Agreement.

2. Term. Executive shall perform such services hereunder from and after the Effective Time of the Merger and until the expiration of the Service Period as set forth in Section 9 hereof.

3. Time and Place of Performance. During the Service Period, the Executive will generally perform his duties and conduct his business at his place of residence and such other locations as may reasonably be necessary and appropriate. During the Service Period and in order to facilitate the Executive' s services hereunder, the Company shall, entirely at its own expense, continue to provide the services of a dedicated full-time administrative assistant to assist the Executive in performing the services to the Company provided hereunder, substantially in accordance with the Company' s prior practice. The administrative assistant whose services shall be provided to the Executive pursuant to this Agreement shall be an employee of the Company selected by the Executive. The Company shall pay the salary of and provide benefits to such administrative assistant, substantially in accordance with the Company' s prior practice. The Company shall, entirely at its own expense, continue to provide the Executive' s administrative assistant with reasonable support facilities, including telephone, computer, and office supplies/equipment, necessary to assist the Executive in providing services to the Company hereunder substantially in accordance with the Company' s prior practice.

4. Office Equipment. The Company agrees that the assets listed on Exhibit A-1 attached hereto that are currently maintained at Executive' s residence at the Effective Time of the Merger shall remain at Executive' s residence for the Executive' s continued use in the performance of his services during the Service Period, at no cost to the Executive. The Executive agrees that the assets listed on Exhibit A-2 attached hereto shall be returned to the Company, entirely at the Company' s expense, promptly after commencement of the Service Period.

5. Independent Contractor. During the Service Period, the Executive shall be an independent contractor and not an employee of the Company.

6. Indemnification; Tax Consequences.

(a) To the fullest extent permitted by law, the Company shall indemnify, defend, and hold harmless the Executive from and against any and all claims, losses, costs, expenses, damages, awards, or settlements (including the payment of attorneys' fees as incurred) in any way related to, arising out of, or resulting from the Executive' s provision of services under this Agreement.

(b) If any of the payments, reimbursements or benefits received or to be received by Executive pursuant to the terms of this Agreement (all such payments, reimbursements and benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "Total Payments") will be subject to any federal, state or local income tax (the "Income Tax"), the Company shall pay to Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by Executive, after deduction of any Income Tax on the Total Payments and any federal, state and local income levied upon the Gross-Up Payment, and after

taking into account the phase out of itemized deductions and personal exemptions attributable to the Gross-Up Payment, shall be equal to the Total Payments. Any Gross-Up Payments shall be made within thirty (30) days following the date the Income Tax is paid.

7. Financial Advisory Fees. Until the first anniversary of the Effective Time of the Merger, the Company shall also promptly reimburse the Executive for certain financial advisory fees to be incurred by the Executive in connection with tax, legal and financial planning and execution of his departure from the Company and adjustment to benefits and equity holdings in the Company. Such amounts will not exceed $50,000.

8. Business Expenses. The Executive is authorized to incur reasonable expenses in carrying out his responsibilities under this Agreement, and the Company shall promptly reimburse the Executive for all such reasonable business expenses incurred by him upon submission by the Executive of receipts and other appropriate documentation.

9. Termination. Unless earlier terminated upon the mutual written consent of the parties, this Agreement shall remain in effect until the fifth anniversary of the Effective Time of the Merger (the "Service Period"). Upon expiration of the Service Period, the Company shall promptly pay the Executive for all unpaid amounts due the Executive under this Agreement. The provisions of Sections 6 and 8 of this Agreement shall survive any termination of this Agreement in accordance with its terms.

10. Enforcement of the Agreement. The Executive shall be entitled to select and retain counsel at the expense of the Company to represent the Executive in connection with the good faith initiation or defense of any litigation or other legal action to enforce the terms of this Agreement in any jurisdiction.

11. Assignment; Binding Agreement. This Agreement is a personal contract, and the rights and interests of the Executive hereunder may not be sold, transferred, assigned, pledged, encumbered, or hypothecated by him, except as otherwise expressly permitted by the provisions of this Agreement. This Agreement shall inure to the benefit of and be enforceable by and against the Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive should die while any amount would still be payable to him hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

12. Entire Agreement. This Agreement contains all the understandings between the parties hereto pertaining to the matters referred to herein and supersedes any other undertakings and agreements, whether oral or in writing, previously entered into by them with respect thereto. The Executive represents that, in executing this Agreement, he does not rely and has not relied upon any representation or statement not set forth herein made by the Company with regard to the subject matter or effect of this Agreement or otherwise.

13. Amendment or Modification, Waiver. No provision of this Agreement may be amended or waived, unless such amendment or waiver is agreed to in writing, signed by the Executive and by a duly authorized officer of the Company. No waiver by any party hereto of any breach by another party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time, or any subsequent time.

14. Notices. Any notice to be given hereunder shall be in writing and shall be deemed given when delivered personally, sent by courier or facsimile or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice hereunder in writing:

If to the Executive, to:

Mr. Tony L. White
4726 Northside Drive N.W.
Atlanta, Georgia 30327-4552
Facsimile: (404) 252-0862

with a copy to:

William J. Vesely, Jr., Esq.
Kilpatrick Stockton LLP
1100 Peachtree Street
Suite 2800
Atlanta, GA 30309
Facsimile: (404) 541-3432

If to the Company, to:

Applera Corporation
301 Merritt 7
Norwalk, Connecticut 06851
Attention: Chief Executive Officer
(with a copy to the General Counsel)
Facsimile: (203) 840-2150

Any notice delivered personally, by courier, or by registered or certified mail, postage prepaid, return receipt requested, under this Section 14 shall be deemed given on the date delivered, and any notice sent by facsimile shall be deemed given on the date transmitted by facsimile.

15. Severability. If any provision of this Agreement or the application of any such provision to any Party or circumstances shall be determined by any court of

competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law.

16. Survivorship. The respective rights and obligations of the Parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

17. Governing Law; Venue. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof.

18. Headings. All descriptive headings of sections and paragraphs in this Agreement are intended solely for convenience, and no provision of this Agreement is to be construed by reference to the heading of any section or paragraph.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

APPLERA CORPORATION

By: /s/ William H. Longfield

Name:

Title:

Executive

Tony L. White

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

APPLERA CORPORATION

By: _____

Name:

Title:

Executive

/s/ Tony L. White

Tony L. White

Exhibit 10.30.2

EXECUTION COPY

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

AMENDMENT NO. 1, dated as of June 11, 2008 (this "Amendment"), to the EMPLOYMENT AGREEMENT, dated September 1, 2007 (the "Agreement"), by and between Applera Corporation, a Delaware corporation (the "Company"), and Mark P. Stevenson (the "Employee"). Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Agreement.

W I T N E S S E T H

WHEREAS, the parties hereto desire to amend the Agreement on the terms set forth herein.

NOW, THEREFORE, in consideration of the foregoing, and of the representations, warranties, covenants and agreements contained in the Agreement and herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged and accepted, the parties hereto hereby agree as follows:

1. Amendment to Section 1 of the Agreement. The first sentence of Section 1 of the Agreement is amended to read in its entirety as follows:

> "1. Employment. The Company agrees to employ Employee, and the Employee agrees to serve, as President and Chief Operating Officer of the Company after a Change in Control during the Period of Employment (as those terms are defined in Section 2 hereof)."

2. Amendment to Section 2(f)(i) of the Agreement. The definition of "Period of Employment" as set forth in Section 2(f)(i) of the Agreement is hereby amended to read in its entirety as follows:

> "(f) Period of Employment. (i) "Period of Employment" means, subject to the provisions of Section 2(f)(ii), the period of thirty-six (36) months commencing on the date of a Change in Control (as defined in Section 2(c) hereof) and the period of any extension or extensions thereof in accordance with the terms of this Section. Subject to the Agreement termination provisions of Section 11, the Period of Employment shall be extended automatically by one week for each week in which the Employee' s employment continues after the date of a Change in Control."

3. Amendment to Section 6(a) of the Agreement. The last sentence of Section 6(a) of the Agreement is hereby amended to read in its entirety as follows:

> "The amounts and benefits set forth in clauses (i), (ii), and (iii) above in this Section 6(a), and incentive compensation payable to Employee pursuant to Section 4(b) hereof, including a pro rata share for any partial year, shall hereinafter be referred to as "Accrued Benefits.""

4. Amendment to Section 6(b)(i) of the Agreement. Section 6(b)(i) of the Agreement is hereby amended to read in its entirety as follows:

"(i) within thirty (30) days after the date of termination, a lump sum equal to the greater of (A) the Employee' s Cash Compensation for the remainder of the Period of Employment or (B) two times the Employee' s Cash Compensation."

5. Amendment to Section 6(b)(iii) of the Agreement. Section 6(b)(iii) of the Agreement is hereby amended to read in its entirety as follows:

"(iii) three additional years of service credit under the Company' s Non-Qualified Plans and, for purposes of such plans, Employee' s final average pay shall be deemed to be his/her Cash Compensation for the year in which the date of termination occurs."

6. Amendment to Section 11 of the Agreement. Section 11 of the Agreement is hereby amended by deleting the final two sentences thereof, such that Section 11 of the Agreement shall read in its entirety as follows:

"11. Miscellaneous/Termination. This Agreement may be amended only by a subsequent written agreement of the Employee and the Company. This Agreement shall be binding upon and shall inure to the benefit of the Employee, the Employee' s heirs, executors, administrators, beneficiaries, and assigns and to the benefit of the Company and its successors. Notwithstanding anything in this Agreement to the contrary, nothing herein shall prevent or interfere with the ability of the Company to terminate the employment of the Employee prior to a Change in Control nor be construed to entitle Employee to be continued in his employment prior to a Change in Control and this Agreement shall terminate if Employee or the Company terminates Employee' s employment prior to a Change in Control. Similarly, nothing herein shall prevent the Employee from retiring under any of the Company' s retirement plans and receiving the corresponding benefits thereunder consistent with the treatment of other Company employees."

7. Limited Effect. Except as specifically amended hereby, the terms and provisions of the Agreement shall continue and remain in full force and effect and the valid and binding obligation of the parties thereto in accordance with its terms. All references in the Agreement (and in any other agreements, documents and instruments entered into in connection therewith) to the "Agreement" shall be deemed for all purposes to refer to the Agreement, as amended by this Amendment.

8. Counterparts. This Amendment may be executed in counterparts, each of which shall be an original, with the same effect as of the signatures hereto and thereto were upon the same instrument.

9. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to the conflicts of law rules thereof.

IN WITNESS WHEREOF, the parties have executed this Amendment and caused the same to be duly delivered on their behalf on the day and year first written above.

APPLERA CORPORATION

By: /s/ Barbara J. Kerr

Name: Barbara J. Kerr

Title: Vice President, Human Resources

ATTEST:

By: /s/ Thomas P. Livingston

Name: Thomas P. Livingston

Title Vice President and Secretary

ACCEPTED AND AGREED:

By: /s/ Mark P. Stevenson

Mark P. Stevenson

EXECUTIVE SEVERANCE PAY POLICY

Special Provisions

Background

Applera Corporation (the "Company"), has entered into a Merger Agreement dated as of June 11, 2008 (the "Merger Agreement") with Invitrogen Corporation ("Invitrogen") pursuant to which the Company will become a wholly-owned subsidiary of Invitrogen (the "Merger"). In connection with the Merger Agreement, the Company is establishing a new severance arrangement (the "Executive Severance Pay Policy") that will provide severance benefits to employees at grade levels 18 through 25 who are terminated without "cause" or resign for "good reason" (in both cases as defined below) within 2 years following the consummation of the Merger. Employees who are parties to individual employment agreements that provide for change in control severance payments are not eligible for benefits under this Executive Severance Pay Policy. Recognizing the financial impact on employees who are involuntarily terminated following an acquisition, the Company has adopted this Executive Severance Pay Policy to help alleviate both the negative effects on productivity due to uncertainty during this 2-year transition period and the potential for economic hardship of affected employees.

Purpose

This policy establishes the eligibility requirements for "severance pay" for employees in grade levels 18 through 25 and describes how severance pay is calculated and administered.

Scope

This policy applies to all U.S. employees of Applera Corporation and its affiliates, who are in pay grades 18 through 25 and who are regularly scheduled to work more than 20 hours per week for more than five months per year.

Definitions

Base Pay: The straight annual salary paid to an employee, excluding bonuses, and sales or other types of commissions.

Benefits: The Company cost for health and dental insurance coverage in effect immediately prior to the termination date.

Cause: The employee has (i) continually failed to substantially perform, or has been willfully or grossly negligent in the discharge of his or her duties to the Company (other than by reason of a disability, or physical or mental illness); (ii) been convicted of or pled nolo contendere to a felony; or (iii)

materially and willfully breached any policy of, or agreement with, the Company. No act or failure to act on the part of the Eligible Employee shall be deemed "willful" unless done or omitted to be done, by the Eligible Employee not in good faith or without reasonable belief that the Eligible Employee' s act or failure to act was in the best interests of the Company.

Eligible Employees: Regular full time and regular part time employees who meet the eligibility requirements for severance pay under this policy, if such employee is terminated without "Cause," as defined above, or resigns for "Good Reason," as defined below.

> ***Regular Full Time Employee:*** An employee of the Company, or an affiliate, on the U.S. payroll who regularly works 40 or more hours per week and is not a temporary, leased, or temporary agency employee.

> ***Regular Part Time Employee:*** An employee of the Company, or an affiliate, on the U.S. payroll who regularly works more than 20 (but fewer than 40) hours per week for more than five months per year and is not a temporary, leased, or temporary agency employee.

Good Reason: Either (a) a material diminution of an Eligible Employee' s authority, duties or responsibilities, (b) a reduction of an Eligible Employee' s compensation or a material reduction of his or her benefits, or (c) a relocation of an Eligible Employee' s principal place of employment by more than 50 miles. The Eligible Employee must provide notice to the Company of the existence of one or more of the conditions listed above, within a period not to exceed 90 days of the initial existence of such condition and the Company shall have a period of 30 days to remedy the condition. If the Company is unable to remedy such condition within the 30 day cure period, the Eligible Employee may terminate his employment for Good Reason.

Notification Period: The 30 day time period from the notification date through the termination date (which may be extended beyond 30 days as required by law).

Qualifying Termination: An Eligible Employee' s termination of employment, without Cause or on account of Good Reason, occurring during the 24 month period following the consummation of the Merger.

Special Severance Pay: Base Pay, Target Bonus and Benefits provided by the Company to an Eligible Employee, pursuant to the Executive Severance Pay Policy, who is separated under conditions consistent with this policy, e.g. during the 24 months following the consummation of the Merger, in order to help alleviate the financial hardship of unemployment.

Target Bonus: Annual target incentive compensation amount for the fiscal year in which termination occurs, calculated based on the annual base salary in effect at the time of termination, provided that such amount is not less than the base salary and target incentive compensation in effect immediately prior to the consummation of the Merger.

Termination Date: The date of an employee' s termination of employment.

Procedures

Conditions Under Which Severance Pay is Available to Eligible Employees

Eligible Employees shall receive severance pay under this Executive Severance Pay Policy after their Termination Date if such termination is due to a Qualifying Termination.

An employee has **not** experienced a Qualifying Termination if the Eligible Employee:

Voluntarily resigns employment (other than for Good Reason);

Dies or becomes disabled before the notice period has begun;

Is terminated for Cause; or

Is terminated as the result of a sale of a business group, function or assets (i.e., by merger, acquisition, divestiture, or sale) if, in connection with such transaction, such employee is offered a position with the transferee having materially the same authority, duties and responsibilities, as well as compensation, as such employee had with the Company immediately prior to the transfer and where such employee' s principal place of employment has not relocated by more than 50 miles.

As a further condition to an Eligible Employee' s receipt of Special Severance Pay, such employee must first sign an agreement, including a release/waiver, in which he/she agrees not to pursue claims against the Company for any actions arising from the employment relationship or take any other action detrimental to the Company, and reaffirms his/her confidentiality obligations. A form will be supplied by the Company.

Eligible Employees who experience a Qualifying Termination, meet the conditions under which Special Severance Pay is available and who elect to commence retirement plan benefits after their termination date will also be entitled to Special Severance Pay as specified below.

Special Severance Pay Allowance

Amount of Payment

Eligible Employees who experience a Qualifying Termination, and meet the conditions under which Special Severance Pay is available, will be eligible for Special Severance Pay in accordance with the Eligible Employee' s grade level, determined at the time of termination (provided that it is not less than what was in effect as of immediately prior to the consummation of the Merger), as shown below:

Special Severance Pay

Grade Level	**Months of Base Pay, Target Bonus and Benefits**
18 – 19 VP	12
20 – 25 VP	18

The maximum Special Severance Pay amount is 18 months of severance pay. Notice periods of up to 30 days will not offset any severance benefit payment amounts.

Subject to the tax provisions described below, the Special Severance Payment shall be made in a lump sum, within 5 days following the expiration of any relevant period to execute a release (see notice period below).

Severance Benefits Required by Law or Other Agreement

Except as provided below in the section titled "Notice Period," any notice, pay in lieu of notice, severance benefits or other benefits that might be required by any Federal, state or local law relating to severance, plant closures, terminations, reductions-in-force, or plant relocations in excess of 30 days may reduce any benefits provided by the Executive Severance Pay Policy described in this policy. In no event shall any employee receive severance pay under both the Executive Severance Pay Policy and any other plan, program, arrangement or individual agreement.

Medical/Dental

An Eligible Employee' s medical/dental coverage in effect immediately prior to the notification period will remain in effect through the end of the month in which occurs the Eligible Employee' s Termination Date. The Company will also pay, in a lump sum (with federal, state and local income tax gross-up), an amount equal to the sum of the monthly premiums to continue an Eligible Employee' s group health and dental insurance coverage for the same number of months that Special Severance Pay is provided to the Eligible Employee under this Executive Severance Pay Policy.

Notice Period

Eligible Employees will receive at least thirty (30) days prior written notice of their termination date in the event their employment will be terminated due to a Qualifying Termination (such thirty (30) day period hereinabove defined as the Notification Period). During the Notification Period an Eligible Employee may be required to continue to provide services to the Company as determined in the sole discretion of such Eligible Employee' s supervisor; if so required, receipt of any Special Severance Pay and benefits hereunder shall be conditioned upon such Eligible Employee' s provision of such services in an acceptable manner in accordance with the Company' s policies. If a notice period of longer than thirty (30) days is required by applicable law as determined by the Company, the number of weeks of severance pay provided for hereunder in each Eligible Employee' s case may be reduced by the number of weeks, or partial weeks, of additional notice in excess of thirty (30) days that are required by law.

Receipt by the Company of the signed severance agreement within the agreement review period (21 or 45 days as specified by the Company) is a condition to payment of any Special Severance Pay under this policy. Except in the event that the Eligible Employee' s payment is required to be delayed pursuant to Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), the Special Severance Pay will be made in a lump sum following receipt of a signed release and within 5 days following the expiration of the applicable 21 day or 45 day review period and the 7 day revocation period.

Outplacement Provisions

Eligible Employees will receive 6 to 12 months of outplacement assistance; the type of assistance shall be determined by the Company.

Regular Part-Time Employees

Severance pay for regular part-time employees will be prorated based on the hours they work. If a regular part-time Eligible Employee works a set number of hours per week, such employee' s severance pay will be based on the number of hours worked per week. For example, if a regular part-time employee is scheduled to work 22 hours per week, his/her Special Severance Pay will be based on 22 hours per week. If such an Eligible Employee works more than 20 hours each week but the actual number of hours worked varies weekly, the average hours per week worked in the 12 months immediately prior to the termination date will be calculated to determine the amount of Special Severance Pay payable.

Termination of Severance Payments

Rehire

In the event that a terminated Eligible Employee is rehired during the Notification Period, the employee will remain on active status and the Company will not pay the Special Severance Pay.

Improper/Unethical Conduct/Return of Property

Special Severance pay will not be paid in the event of improper or unethical conduct on the part of a terminated Eligible Employee in relation to the Company' s affairs including, but not limited to, derogatory comments, misuse or unauthorized disclosure of confidential information, or conduct intended to harm the Company or its employees. Such requirements are further specified in the agreement and release/waiver each Eligible Employee must sign as one of the conditions to receiving severance pay. The Company may require partial or total forfeiture of severance pay in certain of such cases. It shall also be a condition to the receipt of any benefit under this policy that an Eligible Employee return all Company property to the Company, unless otherwise agreed in writing.

Benefits

Payment of Special Severance Pay does not affect the Company' s established procedures with respect to payment for accrued but unused vacation, or the methods established for concluding or continuing participation in any benefit program maintained by the Company. The provisions of all the Company' s benefit plans including stock option plans control in the event of a conflict with any provision herein.

Code Section 280G

In the event that any payment or benefit received by an Eligible Employee under the terms of this Executive Severance Pay Policy (or otherwise in connection with the transactions contemplated by the Merger Agreement or any other plan, arrangement or agreement) will be subject (in whole or in part) to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), the terms set forth on Exhibit A (attached hereto) shall govern. If any of such payments or benefits will be subject to the Excise Tax, then, in accordance with the terms set forth on Exhibit A, the noncash outplacement assistance provided hereunder shall first be reduced, and the Special Severance Pay and other cash benefits provided hereunder shall thereafter be reduced; provided, however, that such reduction shall only be made to the extent necessary so that no portion of such payments or benefits is subject to the Excise Tax; and provided further that such reduction shall only be made if it would put the Eligible Employee in a "better" after-tax position than if such Eligible Employee were to pay the Excise Tax on such payments and benefits himself or herself.

Modifications and Interpretation

The Company reserves the right to modify the Executive Severance Pay Policy at any time; provided, however, that during the period commencing on the effective date of the Executive Severance Pay Policy and continuing until the 2nd anniversary of the Merger, no modification of the Executive Severance Pay Policy shall reduce or eliminate any Special Severance Pay or benefits which may be payable to any Eligible Employee. The members of the board of directors of Company' s parent (the "Board") who were previously directors of the Company' s board of directors prior to the effective date of the Merger, or in the event that no such previous directors remain on the Board, the compensation committee of the Board, shall be the final authority in interpreting and applying any of the provisions of this plan.

Taxes

All amounts payable pursuant to this Executive Severance Pay Policy shall be paid less any applicable withholding and/or employment taxes under federal, state or local law and any additional withholding to which the employee has agreed. In the event that an Eligible Employee is a "specified employee" within the meaning of Section 409A (as determined in accordance with the methodology established by the Company), amounts that would otherwise be payable and benefits that would otherwise be provided during the 6-month period immediately following the Termination Date shall instead be paid or provided on the first business day after the date that is six months following an Eligible Employee' s "separation from service" within the meaning of Section 409A.

Administration/Claims Procedures

The Severance Pay policy administration and claims procedure is pursuant to ERISA.

For more information on any aspect of this policy, please contact Rosine Lawson, Employee Relations, at 650-554-3238, Rosine.Lawson@Applera.com.

Issued: August, 2008

Code Section 280G

(1) Notwithstanding any other provisions of this Executive Severance Pay Policy, in the event that any payment or benefit received or to be received by an Eligible Employee (including any payment or benefit received or to be received in connection with the Merger or the termination of the Eligible Employee' s employment, whether pursuant to the terms of this Executive Severance Pay Policy or any other plan, arrangement or agreement (all such payments and benefits, including the Special Severance Pay being hereinafter referred to as the "Total Payments") would be subject (in whole or in part), to the Excise Tax, then, after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement, the noncash outplacement assistance shall first be reduced, and the cash Special Severance Pay shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (B) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(2) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Eligible Employee shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Eligible Employee and selected by the accounting firm (the "Auditor") which was, immediately prior to the Merger, the Company' s independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall

be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the "base amount" within the meaning set forth in section 280G(b)(3) of the Code allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code. For purposes of this provision, (1) the Eligible Employee shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the applicable Total Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Eligible Employee' s residence in the calendar year in which the applicable Total Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes and (2) except to the extent that the Eligible Employee otherwise notifies the Company, the Eligible Employee shall be deemed to be subject to the loss of itemized deductions and personal exemptions to the maximum extent provided by the Code for each dollar of incremental income.

(3) At the time that payments are made under this Executive Severance Pay Policy, the Company shall provide the Eligible Employee with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement). If the Eligible Employee objects to the Company' s calculations, the Company shall pay to the Eligible Employee such portion of the cash Special Severance Pay (up to 100% thereof) as the Eligible Employee determines is necessary to result in the proper application of Section (1) of this Exhibit A.

Exhibit 10.36.2

EXECUTION COPY

TAX MATTERS AGREEMENT

by and among

APPLERA CORPORATION

AND ITS AFFILIATES,

and

CELERA CORPORATION

AND ITS AFFILIATES,

Dated

July 1, 2008

TAX MATTERS AGREEMENT

THIS TAX MATTERS AGREEMENT (this "Agreement") dated as of July 1, 2008, by and among Applera Corporation, a Delaware corporation ("Applera"), each Applera Affiliate, Celera Corporation, a Delaware corporation ("Celera"), and each Celera Affiliate (the "Parties") is entered into in connection with the Split-Off. Capitalized terms used in this Agreement are defined herein.

W I T N E S S E T H:

WHEREAS, as of the date hereof, Applera and its direct and indirect domestic subsidiaries are members of an Affiliated Group, of which Applera is the common parent;

WHEREAS, Applera, acting through its direct and indirect subsidiaries, currently conducts a number of businesses, including (i) the Applera Business, and (ii) the Celera Business;

WHEREAS, the Board of Directors of Applera has determined that it is appropriate, desirable and in the best interests of Applera and its stockholders to separate Applera into two separate, independent and publicly traded companies, (i) one comprising the Celera Business, which shall be owned and conducted, directly or indirectly, by Celera, and (ii) one comprising the Applera Business which shall continue to be owned and conducted, directly or indirectly, by Applera;

WHEREAS, in order to effect such separation, (i) Applera will contribute to the capital of Celera the assets of the Celera Business, including the stock of Berkeley Heart Laboratories ("BHL"), Axys Pharmaceuticals, Inc., PE AgGen, Inc., GenScope, Inc. and Paracel, Inc.; and have Celera assume liabilities of the Celera Business (together, the "Contribution") and (ii) all of the stock of Celera will be exchanged on a one-for-one basis for all of the outstanding Applera – CRA Tracking Stock (the "Exchange" and together with the "Contribution," the "Split-Off").

WHEREAS, Applera and Celera have determined that it is necessary and desirable, as part of the Split-Off, to allocate, transfer, retain or assign to the Celera Group, the Celera Group Assets and Celera Group Liabilities, and to allocate, transfer, retain or assign to the Applera Group, the Applied Biosystems Group Assets and Applied Biosystems Group Liabilities;

WHEREAS, it is the intention of the Parties that the Split-Off qualify as a reorganization within the meaning of sections 368(a)(1)(D) and 355 of the Code and this Agreement is hereby adopted as a plan of reorganization within the meaning of section 368 of the Code; and

WHEREAS, in contemplation of the Split-Off, pursuant to which the Celera Group will cease to be members of the Affiliated Group of which Applera is the parent, the Parties have determined to enter into this Agreement, setting forth their agreement with respect to certain tax matters.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

Section 1. Definitions.

"**Affiliated Group**" means an affiliated group of corporations within the meaning of section 1504(a)(1) of the Code that files a consolidated return for United States federal Income Tax purposes.

"**After Tax Amount**" means any additional amount necessary to reflect the hypothetical Tax consequences of the receipt or accrual of any payment required to be made under this Agreement (including payment of an additional amount or amounts hereunder and the effect of the deductions available for interest paid or accrued and for Taxes such as state and local Income Taxes), determined by using the highest applicable statutory corporate Income Tax rate (or rates, in the case of an item that affects more than one Tax) for the relevant taxable period (or portion thereof).

"**Agreement**" shall have the meaning set forth in the preamble hereto.

"**Applera**" shall have the meaning set forth in the preamble hereto.

"**Applera Affiliate**" means any corporation or other entity directly or indirectly "controlled" by Applera where "control" means the ownership of fifty percent (50%) of the ownership interests of such corporation or other entity (by vote or value) or the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such corporation or other entity, but at all times excluding Celera and all Celera Affiliates.

"**Applera Business**" means all of the businesses and operations conducted by Applera and the Applera Affiliates, excluding the Celera Business at any time, whether prior to, or after the Split-Off Date.

"**Applera Group**" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Applera is the common parent corporation, and any corporation or other entity which may be, may have been or may become a member of such group from time to time, but excluding any member of the Celera Group.

"**Applera-CRA Tracking Stock**" means the Applera Corporation-Celera Group common stock.

"**Applera Sharing Percentage**" means as of the close of business on the first trading day after the Split-Off Date, the percentage of Applera' s market capitalization as compared to the combined market capitalization of Applera and Celera.

"**Applied Biosystems Group Assets**" shall mean the assets of Applera after the Split-Off Date, as determined under the Separation Agreement by and among the Parties.

"**Applied Biosystems Group Liabilities**" shall mean the liabilities of Applera after the Split-Off Date, as determined under the Separation Agreement by and among the Parties.

"**Audit**" means any audit, assessment of Taxes, other examination by any Taxing Authority, proceeding, or appeal of such a proceeding relating to Taxes, whether administrative or judicial, including proceedings relating to competent authority determinations.

"**BHL**" shall have the meaning set forth in the preamble hereto.

"**BHL Affiliates**" means any corporation or other entity directly or indirectly "controlled" by BHL at the time in question, where "control" means the ownership of fifty percent (50%) of the ownership interests of such corporation or other entity (by vote or value) or the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such corporation or other entity.

"**Big Dye Agreement**" means the supply agreement among Applera and Celera for Big Dye Terminators.

"**Carryback Period**" shall have the meaning set forth in Section 3.05.

"**Celera**" shall have the meaning set forth in the preamble hereto.

"**Celera Affiliate**" means any corporation or other entity directly or indirectly "controlled" by Celera at the time in question, where "control" means the ownership of fifty percent (50%) of the ownership interests of such corporation or other entity (by vote or value) or the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such corporation or other entity.

"**Celera Group Assets**" shall mean the assets of Celera after the Split-Off Date, as determined under the Separation Agreement by and among the Parties.

"**Celera Business**" means the business and operations conducted by Celera and the Celera Affiliates as such business and operations will continue after the Split-Off Date.

"**Celera Business Records**" shall have the meaning set forth in Section 9.02(b).

"**Celera Group**" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Celera will be the common parent corporation immediately after the Split-Off and including any corporation or other entity which may become a member of such group from time to time.

"**Celera Group Liabilities**" shall mean the liabilities of Celera after the Split-Off Date, as determined under the Separation Agreement by and among the Parties.

"**Celera Separate Tax Amount**" shall mean with respect to any Tax Return, the amount of Taxes attributable to a Post-Split-Off Period that Celera and each Celera Affiliate would have incurred if they had filed a consolidated return, combined return or a separate return, as the case may be, separate from the members of the Applera Group, for the relevant Tax period, and such amount shall be computed by Applera in a manner consistent with (i) general Tax accounting principles, (ii) the Code and the Treasury regulations promulgated thereunder, and (iii) past practice.

"**Celera Sharing Percentage**" means as of the close of business on the first trading day after the Split-Off Date, the percentage of Celera' s market capitalization as compared to the combined market capitalization of Applera and Celera.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Combined Return**" means any Tax Return, other than with respect to United States federal Income Taxes, filed on a consolidated, combined (including nexus combination, worldwide combination, domestic combination, line of business combination or any other form of combination) or unitary basis wherein Celera or one or more Celera Affiliates join in the filing of such Tax Return (for any taxable period or portion thereof) with Applera or one or more Applera Affiliates.

"**Consolidated Return**" means any Tax Return with respect to United States federal Income Taxes filed on a consolidated basis wherein Celera or one or more Celera Affiliates join in the filing of such Tax Return (for any taxable period or portion thereof) with Applera or one or more Applera Affiliates.

"**Contribution**" shall have the meaning set forth in the recitals hereto.

"**Contribution Taxes**" shall mean any U.S. federal income tax imposed relating to the Contribution, including as a result of the Parties entering into the IP Access Agreements; provided, however, that Contribution Taxes shall not include Taxes related to the Big Dye Agreement. For the avoidance of doubt, Contribution Taxes shall not include any Exchange Taxes.

"**Estimated Tax Installment Date**" means, with respect to United States federal Income Taxes, the estimated Tax installment due dates prescribed in section 6655(c) of the Code and, in the case of any other Tax, means any other date on which an installment payment of an estimated amount of such Tax is required to be made.

"**Exchange**" shall have the meaning set forth in the recitals hereto.

"**Exchange Taxes**" means any Taxes imposed on, or increase in Taxes incurred by, Applera or any Applera Affiliate (without regard to whether such Taxes are offset or reduced by any Tax Asset, Tax Item, or otherwise) resulting from, or arising in connection with, the failure of the Exchange to qualify as a transaction in which no income, gain or loss is recognized

pursuant to sections 355 and 368(a)(1)(D) of the Code (including any Tax resulting from the application of section 355(d) or section 355(e) of the Code to the Exchange) or corresponding provisions of the laws of any other jurisdictions. Any Income Tax referred to in the immediately preceding sentence shall be determined using the highest applicable statutory corporate Income Tax rate for the relevant taxable period (or portion thereof).

"**Filing Party**" shall have the meaning set forth in Section 8.01.

"**Final Determination**" means the final resolution of liability for any Tax for any taxable period, by or as a result of (i) a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction; (ii) a final settlement with the IRS, a closing agreement or accepted offer in compromise under section 7121 or section 7122 of the Code, or a comparable agreement under the laws of other jurisdictions, which resolves the entire Tax liability for any taxable period; (iii) any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered by the jurisdiction imposing the Tax; or (iv) any other final disposition, including by reason of the expiration of the applicable statute of limitations.

"**Income Tax**" means any federal, state, local or foreign Tax determined (in whole or in part) by reference to net income, net worth, gross receipts or capital, or any such Taxes imposed in lieu of such a Tax. For the avoidance of doubt, the term "Income Tax" includes any franchise Tax, net worth, gross receipts, capital or any such Taxes imposed in lieu of such a Tax.

"**Income Tax Return**" means any Tax Return relating to any Income Tax.

"**IP Access Agreements**" means the agreements entered into by the Parties to license IP and supply goods to the other Party for a period of time after the Split-Off.

"**IRS**" means the United States Internal Revenue Service or any successor thereto, including its agents, representatives, and attorneys.

"**Joint Responsibility Item**" means any Tax Item for which the non-Filing Party' s responsibility under this Agreement could exceed one hundred thousand dollars ($100,000), but not a Sole Responsibility Item.

"**Non-Income Tax Return**" means any Tax Return relating to any Tax other than an Income Tax.

"**Officer' s Certificate**" means a letter executed by an officer of Applera or Celera and provided to Tax Counsel as a condition for the completion of a Tax Opinion or Supplemental Tax Opinion.

"**Owed Party**" shall have the meaning set forth in Section 7.05.

"**Owing Party**" shall have the meaning set forth in Section 7.05.

"**Parties**" shall have the meaning set forth in the preamble hereto.

"**Payment Period**" shall have the meaning set forth in Section 7.05(e).

"**Post-Split-Off Period**" means any taxable period (or portion thereof) beginning after the Split-Off Date.

"**Pre-Split-Off Period**" means any taxable period (or portion thereof) ending on or before the Split-Off Date.

"**Proposed Merger**" means the proposed merger of Applera with and into Invitrogen Corporation or an entity wholly owned by Invitrogen Corporation.

"**Ruling**" means any private letter ruling issued by the IRS in connection with the Split-Off in response to a request for such a private letter ruling filed by Applera (or any Applera Affiliate).

"**Ruling Documents**" means (i) the request for a Ruling filed with the IRS, together with any supplemental filings or other materials subsequently submitted on behalf of Applera, the Applera Affiliates and Applera' s shareholders to the IRS, the appendices and exhibits thereto, and any Ruling issued by the IRS to Applera (or any Applera Affiliate) in connection with the Split-Off and (ii) any similar filings submitted to, or rulings issued by, any other Taxing Authority in connection with the Split-Off.

"**Separation Agreement**" means the separation agreement by and between Applera and Celera.

"**Sole Responsibility Item**" means any Tax Item for which the non-Filing Party has the entire economic liability under this Agreement.

"**Split-Off**" shall have the meaning set forth in the recitals hereto.

"**Split-Off Date**" means the close of business on the date which the Split-Off is effected.

"**Straddle Period**" shall mean any taxable period that begins on or before and ends after the Split-Off Date.

"**Supplemental Tax Opinion**" shall have the meaning set forth in Section 4.02(d).

"**Tax Asset**" means any Tax Item that has accrued for Tax purposes, but has not been realized during the taxable period in which it has accrued, and that could reduce a Tax in another taxable period, including a net operating loss, net capital loss, research and development tax credit, investment tax credit, foreign tax credit, charitable deduction or credit related to alternative minimum tax or any other Tax credit.

"**Tax Benefit**" means a reduction in the Tax liability (or increase in refund or credit or any item of deduction or expense) of a taxpayer (or of the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of any other jurisdiction, of which it is a member) for any taxable period. Except as otherwise provided in this Agreement, a Tax Benefit shall be deemed to have been realized or received from a Tax Item in a taxable period only if and to the extent that the Tax liability of the taxpayer (or of the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of any other jurisdiction, of which it is a member) for such period, after taking into account the effect of the Tax Item on the Tax liability of such taxpayer (or of the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of any other jurisdiction, of which it is a member) in the current period and all prior periods, is less than it would have been had such Tax liability been determined without regard to such Tax Item.

"**Tax Counsel**" means a nationally recognized law firm selected by Applera to provide a Tax Opinion.

"**Tax Detriment**" means an increase in the Tax liability (or reduction in refund or credit or any item of deduction or expense) of a taxpayer (or of the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of any other jurisdiction, of which it is a member) for any taxable period. Except as otherwise provided in this Agreement, a Tax Detriment shall be deemed to have been realized or incurred from a Tax Item in a taxable period only if and to the extent that the Tax liability of the taxpayer (or of the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of any other jurisdiction, of which it is a member) for such period, after taking into account the effect of the Tax Item on the Tax liability of such taxpayer (or of the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of any other jurisdiction, of which it is a member) in the current period and all prior periods, is more than it would have been had such Tax liability been determined without regard to such Tax Item.

"**Tax Item**" means any item of income, gain, loss, deduction, expense or credit, or other attribute that may have the effect of increasing or decreasing any Tax.

"**Tax Opinion**" means an opinion issued by Tax Counsel as one of the conditions to completing the Split-Off addressing certain United States federal Income Tax consequences of the Split-Off under section 355 of the Code.

"**Tax Return**" means any return, report, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated Tax) required to be supplied to, or filed with, a Taxing Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

"**Taxes**" means all federal, state, local or foreign taxes, charges, fees, duties, levies, imposts, rates or other assessments, including income, gross receipts, excise, property, sales, use, license, capital stock, transfer, franchise, payroll, withholding, social security, value added or

other taxes, (including any interest, penalties or additions attributable thereto) and a "Tax" shall mean any one of such Taxes.

"**Taxing Authority**" means any governmental authority or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including the IRS).

Section 2. Preparation and Filing of Tax Returns.

2.01. Applera' s Responsibility. Subject to the other applicable provisions of this Agreement, Applera shall have sole and exclusive responsibility for the preparation and filing of:

(a) all Consolidated Returns and all Combined Returns for any taxable period;

(b) all Income Tax Returns (other than Consolidated Returns and Combined Returns) with respect to Applera and/or any Applera Affiliate for any taxable period;

(c) all Non-Income Tax Returns with respect to Applera, any Applera Affiliate, or the Applera Business or any part thereof for any taxable period; and

(d) all Non-Income Tax Returns with respect to Celera, any Celera Affiliate, or the Celera Business or any part thereof, that are required to be filed (taking into account any extension of time which has been requested or received) on or prior to the Split-Off Date.

2.02. Celera' s Responsibility. Celera shall have sole and exclusive responsibility for the preparation and filing of:

(a) all Income Tax Returns (other than Consolidated Returns and Combined Returns) with respect to Celera and/or any Celera Affiliate for any taxable period that are required to be filed after the Split-Off Date; and

(b) all Non-Income Tax Returns with respect to Celera, any Celera Affiliate, or the Celera Business or any part thereof, that are required to be filed (taking into account any extension of time which has been requested or received) after the Split-Off Date.

2.03. Agent. Subject to the other applicable provisions of this Agreement, Celera hereby irrevocably designates, and agrees to cause each Celera Affiliate to so designate, Applera as its sole and exclusive agent and attorney-in-fact to take such action (including execution of documents) as Applera, in its sole discretion, may deem appropriate in any and all matters (including Audits) relating to any Tax Return described in Section 2.01, subject, however, to the joint control provisions and control by a non-Filing Party provisions in Section 8.

2.04. Manner of Tax Return Preparation.

(a) Unless otherwise required by a Taxing Authority, the Parties hereby agree to prepare and file all Tax Returns, and to take all other actions, in a manner consistent with (1) this

Agreement, (2) any Tax Opinion, (3) any Supplemental Tax Opinion, and (4) any Ruling. All Tax Returns shall be filed on a timely basis (taking into account applicable extensions) by the Party responsible for filing such returns under this Agreement.

(b) Subject to the other applicable provisions of this Agreement, Applera shall have the exclusive right, in its sole discretion, with respect to any Tax Return described in Section 2.01, to determine (1) the manner in which such Tax Return shall be prepared and filed, including the elections, method of accounting, positions, conventions and principles of taxation to be used and the manner in which any Tax Item shall be reported, (2) whether any extensions shall be requested, (3) the elections that will be made by Applera, any Applera Affiliate, Celera, and/or any Celera Affiliate on such Tax Return, (4) whether any amended Tax Returns shall be filed, (5) whether any claims for refund shall be made, (6) whether any refunds shall be paid by way of refund or credited against any liability for the related Tax, and (7) whether to retain outside firms to prepare and/or review such Tax Returns.

Section 3. Liability for Ordinary Course Taxes.

3.01. Applera' s Liability for Ordinary Course Taxes. Except as provided in Sections 4.01 and 4.03, Applera shall be liable for the following Taxes, and shall be entitled to receive and retain all refunds of:

(a) all Taxes attributable to the Applera Group or the Applera Business, in each case for any and all periods,

(b) except for Taxes related to BHL and BHL Affiliates, all Taxes attributable to the Celera Group, the Celera Group Assets or the Celera Business, in each case for any and all Pre-Split-Off Periods,

(c) except for Taxes related to BHL and BHL Affiliates, all Taxes for which the Celera Group may be liable by virtue of any agreement or arrangement with respect to Taxes (other than pursuant to this Agreement or any other agreements entered into in connection with the Split-Off) entered into on or prior to the Split-Off Date.

3.02. Celera' s Liability for Ordinary Course Taxes. Except as provided in Sections 4.01 and 4.03, Celera and each Celera Affiliate shall be jointly and severally liable for (i) all Taxes attributable to any and all members of the Celera Group or the Celera Group Assets or the Celera Business, in each case for any and all Post-Split-Off Periods and (ii) all Taxes related to BHL and the BHL Affiliates for any and all periods.

3.03. Straddle Periods. For purposes of Sections 3.01 and 3.02, in the case of any Straddle Period, (i) property taxes and exemptions, allowances or deductions that are calculated on an annualized basis shall be apportioned between the Pre-Split-Off Period and the Post-Split-Off Period on a daily pro-rata basis and (ii) all other Taxes shall be apportioned between the Pre-Split-Off Period and the Post-Split-Off Period on a closing of the books basis as of the close of business on the Split-Off Date.

3.04. Refunds. The amount or economic benefit of any refunds, credits or offsets of Taxes relating to (i) Celera, the Celera Group Assets or the Celera Business for a Pre-Split-Off Period shall be for the account of Applera, (ii) Celera, the Celera Group Assets or the Celera Business for a Post-Split-Off Period shall be for the account of Celera, and (iii) the Applera Group, the Applied Biosystems Group Assets or the Applera Business shall for the account of Applera.

3.05. Carryback. Notwithstanding Section 3.04, to the extent permitted by law, the Celera Group shall elect to forego a carryback of any net operating losses, capital losses, credits or other Tax benefits to a taxable period, or portion thereof, ending on or before the Split-Off Date unless Applera otherwise elects, in its sole discretion, to allow such carryback. To the extent that Celera is required under law to carry back Tax Assets described in this section, Applera agrees to pay to Celera the United States federal Income Tax Benefit from the use in any Pre-Split-Off Period (the "Carryback Period") of a carryback of any such Tax Asset of the Celera Group from a Post-Split-Off Period (other than a carryback of any Tax Asset attributable to Exchange Taxes for which the liability is borne by Applera or any Applera Affiliate). If subsequent to the payment by Applera to Celera of the United States federal Income Tax Benefit of a carryback of a Tax Asset of the Celera Group, there shall be a Final Determination which results in a (1) change to the amount of the Tax Asset so carried back or (2) change to the amount of such United States federal Income Tax Benefit, Celera shall repay to Applera, or Applera shall repay to Celera, as the case may be, any amount which would not have been payable to such other Party pursuant to this Section 3.05 had the amount of the benefit been determined in light of these events. Nothing in this Section 3.05 shall require Applera to file an amended Tax Return or claim for refund of United States federal Income Taxes; provided, however, that Applera shall use its commercially reasonable efforts to use any carryback of a Tax Asset of the Celera Group that is carried back under this Section 3.05.

3.06. Celera Tax Assets on Applera Post-Split-Off Period Returns. With respect to any Post-Split-Off Period, to the extent that any Tax Assets relating to the Celera Business attributable to Pre-Split-Off Periods remain with the Applera Group after the Split-Off: (i) to the extent that the Celera Group generates sufficient income or recognizes sufficient gains in a given Tax period that the Celera Group would have been able to utilize such Tax Assets (that were not already utilized by Applera pursuant to clause (ii)) on a pro-forma basis, Applera shall compensate Celera for such utilizable amount on a pro-forma basis, and (ii) to the extent that (A) Celera Group does not generate sufficient income or recognize sufficient gains in such Tax period and (B) Applera utilizes such Tax Assets on its Tax Returns for such Tax Period, then Applera shall not be required to compensate Celera for Applera' s utilization of such Tax Assets. For the avoidance of doubt, this section is intended to provide that Celera is compensated for a Celera-related Tax Asset that remains with the Applera Group after the Split-Off Date only if and to the extent that Celera would have been able to utilize such Tax Asset on or before the time that the Applera Group actually utilizes such Tax Asset. For the avoidance of doubt, this section shall apply to any gain related to Exchange Taxes in the same manner as it applies to any other income or gains.

3.07. Payment of Tax Liability. If one Party is liable or responsible for Taxes, under Sections 3.01 through 3.06, with respect to Tax Returns for which another party is responsible

for preparing and/or filing, or with respect to Taxes that are paid by another Party, then the liable or responsible Party shall pay the Taxes (or a reimbursement of such Taxes) to the other Party pursuant to Section 7.05.

3.08. Computation. With respect to any Tax Return filed by Applera for which Celera is liable for Taxes under this Section 3, Applera shall provide Celera with a written calculation in reasonable detail (including copies of work sheets and other materials used in preparation thereof) setting forth the amount of any Celera Separate Tax Amount or estimated Celera Separate Tax Amount (for purposes of Section 7.01). Celera shall have the right to review and comment on such calculation. Any dispute with respect to such calculation shall be resolved pursuant to Section 9.03; provided, however, that, notwithstanding any dispute with respect to any such calculation, in no event shall any payment attributable to the amount of any Celera Separate Tax Amount or estimated Celera Separate Tax Amount be paid later than the date provided in Section 7.

Section 4. Exchange Taxes, Contribution Taxes and Deconsolidation.

4.01. Exchange Taxes.

(a) Applera' s Liability for Exchange Taxes. Notwithstanding Sections 3.01 through 3.03, Applera and each Applera Affiliate shall be jointly and severally liable for any Exchange Taxes attributable to, caused by, or resulting from, one or more of the following:

(i) any action or omission by Applera (or any Applera Affiliate) inconsistent with any material, information, covenant or representation related to Applera, any Applera Affiliate, or the Applera Business in an Officer' s Certificate, Tax Opinion, Supplemental Tax Opinion, Ruling Documents or Ruling (for the avoidance of doubt, disclosure of any action or fact that is inconsistent with any material, information, covenant or representation submitted to Tax Counsel, the IRS, or other Taxing Authority, as applicable, in connection with an Officer' s Certificate, Tax Opinion, Supplemental Tax Opinion, Ruling Documents or Ruling shall not relieve Applera (or any Applera Affiliate) of liability under this Agreement);

(ii) any action or omission by Applera (or any Applera Affiliate), after the Split-Off (including any act or omission that is in furtherance of, connected to, or part of a plan or series of related transactions (within the meaning of section 355(e) of the Code) occurring on or prior to the Split-Off), including a cessation, transfer to affiliates, or disposition of its active trades or businesses, stock buyback or payment of an extraordinary dividend;

(iii) any acquisition of any stock or assets of Applera (or any Applera Affiliate) by one or more other persons (other than Celera or a Celera Affiliate) prior to or following the Split-Off; or

(iv) any issuance of stock by Applera (or any Applera Affiliate), including any issuance pursuant to the exercise of employee stock options or other employment related arrangements or the exercise of warrants, or change in ownership of stock in Celera (or any Celera Affiliate).

(b) Celera' s Liability for Exchange Taxes. Notwithstanding Sections 3.01 through 3.03, Celera and each Celera Affiliate shall be jointly and severally liable for any Exchange Taxes attributable to, caused by, or result from, one or more of the following:

(i) any action or omission by Celera (or any Celera Affiliate) after the Split-Off at any time, that is inconsistent with any material, information, covenant or representation related to Celera, any Celera Affiliate, or the Celera Business in an Officer' s Certificate, Tax Opinion, Supplemental Tax Opinion, Ruling Documents or Ruling (for the avoidance of doubt, disclosure by Celera (or any Celera Affiliate) to Applera (or any Applera Affiliate) of any action or fact that is inconsistent with any material, information, covenant or representation submitted to Tax Counsel, the IRS, or other Taxing Authority, as applicable, in connection with an Officer' s Certificate, Tax Opinion, Supplemental Tax Opinion, Ruling Documents or Ruling shall not relieve Celera (or any Celera Affiliate) of liability under this Agreement);

(ii) any action or omission by Celera (or any Celera Affiliate), after the Split-Off Date (including any act or omission that is in furtherance of, connected to, or part of a plan or series of related transactions (within the meaning of section 355(e) of the Code) occurring on or prior to the Split-Off Date) including a cessation, transfer to affiliates or disposition of the active trades or businesses, stock buyback or payment of an extraordinary dividend;

(iii) any acquisition of any stock or assets of Celera (or any Celera Affiliate) by one or more other persons (other than Applera or any Applera Affiliate) following the Split-Off; or

(iv) any issuance of stock by Celera (or any Celera Affiliate) after the Split-Off, including any issuance pursuant to the exercise of employee stock options or other employment related arrangements or the exercise of warrants, or change in ownership of stock in Celera (or any Celera Affiliate) after the Split-Off.

(c) Joint Liability for Remaining Exchange Taxes. Applera and each Applera Affiliate shall be liable for the Applera Sharing Percentage and Celera and each Celera Affiliate shall be jointly and severally liable for the Celera Sharing Percentage of any Exchange Taxes (including costs related or attributable to such Exchange Taxes) not otherwise allocated by Sections 4.01(a) or (b) (e.g., because of a retroactive change in law).

(d) Representation. Each of Applera and Celera represents that, as of the date of this Agreement, neither it nor its Affiliates know of any fact (other than the Proposed Merger) that may cause the Exchange to fail to qualify under section 355 or section 368(a)(1)(D) of the Code.

4.02. Continuing Covenants.

(a) In General. Each of Applera (for itself and each Applera Affiliate) and Celera (for itself and each Celera Affiliate) agrees (1) not to take any action reasonably expected to result in an increased Tax liability to the other, a reduction in a Tax Asset of the other or an increased liability to the other under this Agreement, and (2) to take any action reasonably requested by the other that would reasonably be expected to result in a Tax Benefit or avoid a Tax Detriment to the other, provided, in either such case, that the taking or refraining to take such action does not result in any additional cost not fully compensated for by the other Party or any other adverse effect to such Party. The Parties hereby acknowledge that the preceding sentence is not intended to limit, and therefore shall not apply to, the rights of the Parties with respect to matters otherwise covered by this Agreement.

(b) Celera Restrictions. Celera agrees that it will not knowingly take or fail to take, or permit any Celera Affiliate to knowingly take or fail to take, any action where such action or failure to act would be inconsistent with any material, information, covenant or representation that relates to facts or matters related to Celera (or any Celera Affiliate) or within the control of Celera and is contained in an Officer' s Certificate, Tax Opinion, Supplemental Tax Opinion, Ruling Documents or Ruling (except where such material, information, covenant or representation was not previously disclosed to Celera) other than as permitted by this Section 4.02. For this purpose an action is considered inconsistent with a representation if the representation states that there is no plan or intention to take such action. Celera agrees that it will not take (and it will cause the Celera Affiliates to refrain from taking) any position on a Tax Return that is inconsistent with the treatment of the Exchange as transactions in which no income, gain, or loss is recognized pursuant to section 355 of the Code.

(c) Applera Restrictions. Applera agrees that it will not knowingly take or fail to take, or permit any Applera Affiliate to knowingly take or fail to take, any action where such action or failure to act would be inconsistent with any material, information, covenant or representation that relates to facts or matters related to Applera (or any Applera Affiliate) or within the control of Applera and is contained in an Officer' s Certificate, Tax Opinion, Supplemental Tax Opinion, Ruling Documents or Ruling other than as permitted by this Section 4.02. For this purpose an action is considered inconsistent with a representation if the representation states that there is no plan or intention to take such action. Applera agrees that it will not take (and it will cause the Applera Affiliates to refrain from taking) any position on a Tax Return that is inconsistent with the treatment of the Exchange as transactions in which no income, gain, or loss is recognized pursuant to section 355 of the Code.

(d) Certain Celera Actions Following the Split-Off. Celera agrees that, during the two (2) year period following the Split-Off, without first obtaining, at Celera' s own expense, either a supplemental opinion from Tax Counsel that such action will not result in Exchange Taxes (a "Supplemental Tax Opinion") or a Ruling that such action will not result in Exchange Taxes, unless in any such case Applera and Celera agree otherwise in writing, Celera shall not (1) sell all or substantially all of the assets of Celera or any Celera Affiliate, (2) merge Celera, or any Celera Affiliate with another entity, without regard to which party is the surviving entity, (3) transfer any assets of Celera in a transaction described in section 351 (other than a transfer to a corporation which files a consolidated return with Celera and which is wholly-owned, directly or indirectly, by Celera) or subparagraph (C) or (D) of section 368(a)(1) of the Code, (4) issue stock

of Celera or any Celera Affiliate (or any instrument that is convertible or exchangeable into any such stock) in an acquisition or public or private offering (excluding any issuance pursuant to the exercise of employee stock options or other employment related arrangements having customary terms and conditions and that satisfy the requirements of Treasury Regulations section 1.355-7(d)(8), or any successor provision thereto), or (5) facilitate or otherwise participate in any acquisition of stock in Celera that would result in any shareholder owning five percent (5%) or more of the outstanding stock of Celera. Celera (or any Celera Affiliate) shall only undertake any of such actions after Applera' s receipt of such Supplemental Tax Opinion or Ruling and pursuant to the terms and conditions of any such Supplemental Tax Opinion or Ruling or as otherwise consented to in writing in advance by Applera; provided, however, that if Celera contemplates entering into a transaction described in this section and Celera acknowledges in writing that it would have sole liability for any Exchange Taxes under Section 4.01(b) that might arise from such transaction and can demonstrate to the reasonable satisfaction of Applera that Celera can satisfy its liability for any such Exchange Taxes, Applera shall consent to Celera' s entering into such transaction without further restriction; and provided, further, that in the event that (i) Applera completes a transaction that results in a tax being imposed on Applera under Section 355(e) of the Code (including without limitation the Proposed Merger), after such completion, Celera shall no longer be subject to the restrictions under clause 4 and clause 5, or (ii) the Split-off is determined to be taxable, then these restrictions shall no longer apply. The Parties hereby agree that they will act in good faith to take all reasonable steps necessary to amend this Section 4.02(d), from time to time, by mutual agreement, to (i) add certain actions to the list contained herein, or (ii) remove certain actions from the list contained herein, in either case, in order to reflect any relevant change in law, regulation or administrative interpretation occurring after the date of this Agreement.

(e) Notice of Specified Transactions. Not later than three (3) days after the public announcement regarding any of the transactions described in Section 4.02(d) (including a public announcement regarding Celera' s intent to enter into any such transaction) Celera shall provide written notice of such transaction to Applera.

4.03. Other Taxes.

(a) Contribution Taxes. Notwithstanding Sections 3.01 through 3.03, but subject to Section 4.03(c), if any Contribution Taxes are imposed on Applera or Celera, Applera and Celera shall each be responsible for 50 percent of such Contribution Taxes. For the avoidance of doubt, this equal sharing of Contribution Taxes shall not be affected by the availability of any corresponding deductions resulting from such Contribution Taxes.

(b) Big Dye Agreement Taxes. Notwithstanding Sections 3.01 through 3.03, but subject to Section 4.03(c), the Parties intend to report the Big Dye Agreement as giving rise to current taxable income to Applera, and corresponding current and future deductions to Celera. Celera shall pay to Applera (i) the present value of the Tax benefit expected to be realized by Celera with respect to such current and future deductions plus (ii) 50 percent of the difference between (A) the Tax imposed on Applera resulting from the Big Dye Agreement and (B) the present value of the Tax benefit expected to be realized by Celera (as determined in 4.03(b)(i)).

(c) Treatment if Proposed Merger is Completed. To the extent allowable under applicable law, if the Proposed Merger is completed and results in the Split-off being taxable, Applera and Celera shall report the entering into the IP Access Agreements as taxable transactions for U.S. federal income tax purposes and the indemnification provisions in Section 4.03(a) and (b) shall not apply. In such an event, Applera shall be responsible for the resulting tax imposed on Applera, and Celera shall pay Applera 50 percent of the present value of the Tax benefit expected to be realized by Celera with respect to current and future deductions resulting from the Big Dye Agreement and the IP Access Agreement.

4.04. Allocation of Tax Items. All Tax computations for (1) any Pre-Split-Off Periods ending on the Split-Off Date and (2) the immediately following taxable period of Celera or any Celera Affiliate, shall be made pursuant to the principles of section 1.1502-76(b) of the Treasury Regulations or of a corresponding provision under the laws of other jurisdictions, as reasonably determined by Applera, taking into account all reasonable suggestions made by Celera with respect thereto.

4.05. Allocation of Tax Assets.

(a) In General. In connection with the Split-Off, Applera and Celera have set forth on Schedule 4.5 the Tax Assets allocated to Applera and Celera, and each of Applera and Celera agrees that each shall prepare all Tax Returns in a manner consistent with such allocation, unless otherwise required by law. The Parties hereby agree that to the extent that Tax Assets are not shown in Schedule 4.5, such Tax Assets were incurred by Applera and shall remain with Applera.

(b) Earnings and Profits. Applera will advise Celera in writing of the decrease in Applera earnings and profits attributable to the Split-Off under section 312(h) of the Code on or before the first anniversary of the Split-Off Date; provided, however, that Applera shall provide Celera with estimates of such amounts (determined in accordance with past practice) prior to such anniversary as reasonably requested by Celera.

Section 5. Employee Wages.

At Applera' s request, Celera shall assume the Form W-2 and Form W-3 reporting obligations (including the filing of all forms necessary to comply with magnetic media reporting requirements) of Applera with respect to any employee of the Celera Business that Celera or any Celera Affiliate employs during the calendar year which includes the Split-Off Date consistent with the procedures set forth in section 5 of Rev. Proc. 2004-53, 2004-34 I.R.B. 320.

Section 6. Indemnification.

6.01. In General. Applera and each member of the Applera Group shall jointly and severally indemnify Celera, each Celera Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any and all Taxes for which Applera or any Applera Affiliate is liable under this Agreement and any loss, cost, damage or expense, including reasonable attorneys' fees and costs, that is attributable to, or results from, the failure of Applera,

any Applera Affiliate or any director, officer or employee to make any payment required to be made under this Agreement. Celera and each member of the Celera Group shall jointly and severally indemnify Applera, each Applera Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any and all Taxes for which Celera or any Celera Affiliate is liable under this Agreement and any loss, cost, damage or expense, including reasonable attorneys' fees and costs, that is attributable to, or results from, the failure of Celera, any Celera Affiliate or any director, officer or employee to make any payment required to be made under this Agreement.

6.02. Inaccurate or Incomplete Information. Applera and each member of the Applera Group shall jointly and severally indemnify Celera, each Celera Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any cost, fine, penalty, or other expense of any kind attributable to the failure of Applera or any Applera Affiliate in supplying Celera or any Celera Affiliate with inaccurate or incomplete information, in connection with the preparation of any Tax Return. Celera and each member of the Celera Group shall jointly and severally indemnify Applera, each Applera Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any cost, fine, penalty, or other expenses of any kind attributable to the failure of Celera or any Celera Affiliate in supplying Applera or any Applera Affiliate with inaccurate or incomplete information, in connection with the preparation of any Tax Return.

6.03. No Indemnification for Tax Items. Nothing in this Agreement shall be construed as a guarantee of the existence or amount of any loss, credit, carryforward, basis or other Tax Item, whether past, present or future, of Applera, any Applera Affiliate, Celera or any Celera Affiliate. In addition, for the avoidance of doubt, for purposes of determining any amount owed between the Parties hereto, all such determinations shall be made without regard to any financial accounting tax asset or liability or other financial accounting items.

Section 7. Payments.

7.01. Estimated Tax Payments. Not later than ten (10) business days after each Estimated Tax Installment Date with respect to a taxable period for which a Consolidated Return or a Combined Return that includes a Celera Separate Tax Amount will be filed, Celera shall pay to Applera on behalf of the Celera Group an amount equal to the amount of any estimated Celera Separate Tax Amount.

7.02. True-Up Payments. Not later than ten (10) business days after filing a Tax Return, Celera shall pay to Applera, or Applera shall pay to Celera, as appropriate, an amount equal to the difference, if any, between the Celera Separate Tax Amount and the aggregate amount paid by Celera with respect to such period under Section 7.01.

7.03. Redetermination Amounts. In the event of a redetermination of any Tax Item reflected on any Consolidated Return or Combined Return (other than Tax Items relating to Exchange Taxes), as a result of a refund of Taxes paid, a Final Determination or any settlement or compromise with any Taxing Authority which in any such case would affect the Celera Separate Tax Amount, Applera shall prepare a revised pro forma Tax Return in accordance with

Section 2.04(b) for the relevant taxable period reflecting the redetermination of such Tax Item as a result of such refund, Final Determination, settlement or compromise. Celera shall pay to Applera, or Applera shall pay to Celera, as appropriate, an amount equal to the difference, if any, between the Celera Separate Tax Amount reflected on such revised pro forma Tax Return and the Celera Separate Tax Amount for such period as originally computed pursuant to this Agreement.

7.04. Payments of Refunds and Credits. If one Party receives a refund or credit of any Tax to which the other Party is entitled pursuant to Section 3.04, the Party receiving such refund or credit shall pay to the other Party the amount of such refund or credit pursuant to Section 7.05.

7.05. Payments Under This Agreement. In the event that one Party (the "Owing Party") is required to make a payment to another Party (the "Owed Party") pursuant to this Agreement, then such payments shall be made according to this Section 7.05.

(a) In General. All payments shall be made to the Owed Party or to the appropriate Taxing Authority as specified by the Owed Party within the time prescribed for payment in this Agreement, or if no period is prescribed, within ten (10) days after delivery of written notice of payment owing together with a computation of the amounts due.

(b) Treatment of Payments. Unless otherwise required by any Final Determination, the Parties agree that any payments made by one Party to another Party pursuant to this Agreement (other than (i) payments for the Celera Separate Tax Amount for the Post-Split-Off Period, (ii) payments of After Tax Amounts pursuant to Section 7.05(d), and (iii) payments of interest pursuant to Section 7.05(e)) shall be treated for all Tax purposes as nontaxable payments (dividend distributions or capital contributions, as the case may be) made immediately prior to the Split-Off and, accordingly, as not includible in the taxable income of the recipient or as deductible by the payor.

(c) Prompt Performance. All actions required to be taken (including payments) by any Party under this Agreement shall be performed within the time prescribed for performance in this Agreement, or if no period is prescribed, such actions shall be performed promptly.

(d) After Tax Amounts. If pursuant to a Final Determination it is determined that the receipt or accrual of any payment made under this Agreement (other than payments of interest pursuant to Section 7.05(e)) is subject to any Tax, the Party making such payment shall be liable for (a) the After Tax Amount with respect to such payment and (b) interest at the rate described in Section 7.05(e) on the amount of such Tax from the date such Tax accrues through the date of payment of such After Tax Amount. A Party making a demand for a payment pursuant to this Agreement and for a payment of an After Tax Amount with respect to such payment shall separately specify and compute such After Tax Amount. However, a Party may choose not to specify an After Tax Amount in a demand for payment pursuant to this Agreement without thereby being deemed to have waived its right subsequently to demand an After Tax Amount with respect to such payment.

(e) Interest. Payments pursuant to this Agreement that are not made within the period prescribed in this Agreement (the "Payment Period") shall bear interest for the period from and including the date immediately following the last date of the Payment Period through and including the date of payment at a per annum rate equal to the applicable rate under Section 6621 of the Code. Such interest will be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of three hundred sixty-five (365) days and the actual number of days for which due.

Section 8. Tax Proceedings.

8.01. In General. Except as otherwise provided in this Agreement, the Party responsible for preparing and filing a Tax Return pursuant to Section 2 (the "Filing Party") shall have the exclusive right, in its sole discretion, to control, contest, and represent the interests of Applera, any Applera Affiliate, Celera, and/or any Celera Affiliate in any Audit relating to such Tax Return and to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Audit; provided, however, that for purposes of this Section 8, Celera shall be treated as the Filing Party for all Tax Returns of BHL and BHL Affiliates (other than Consolidated Returns or Combined Returns). The Filing Party' s rights shall extend to any matter pertaining to the management and control of an Audit, including execution of waivers, choice of forum, scheduling of conferences and the resolution of any Tax Item. Any costs incurred in handling, settling, or contesting an Audit shall be borne by the Filing Party.

8.02. Participation of non-Filing Party. Except as provided in Section 8.04, the non-Filing Party shall, at its own expense, have control over decisions to resolve, settle or otherwise agree to any deficiency, claim or adjustment with respect to any Sole Responsibility Item. Except as provided in Section 8.04, the Filing Party, at its own expense, and the non-Filing Party, at its own expense, shall have joint control over decisions to resolve, settle or otherwise agree to any deficiency, claim or adjustment with respect to any Joint Responsibility Item. Except as provided in Section 8.04, the Filing Party shall not settle any Audit it controls concerning a Tax Item on a basis that would reasonably be expected to adversely affect the non-Filing Party by at least one hundred thousand dollars ($100,000) without obtaining such non-Filing Party' s consent, which consent shall not be unreasonably withheld, conditioned or delayed if failure to consent would adversely affect the Filing Party.

8.03. Notice. Within ten (10) days after a Party receives written notice of a proposed Audit adjustment that may give rise to an indemnification obligation under this Agreement, such Party shall give notice to the other Party of such issue (such notice shall contain factual information, to the extent known, describing any asserted tax liability in reasonable detail), and shall forward to the other Party copies of all notices and material communications with any Taxing Authority relating to such issue. Notwithstanding any provision in Section 9.15 to the contrary, if a Party to this Agreement fails to provide the other Party notice as required by this Section 8.03, and the failure results in a detriment to the other Party then any amount which the other Party is otherwise required to pay pursuant to this Agreement shall be reduced by the amount of such detriment.

8.04. Control of Exchange Tax and Contribution Tax Proceedings. Applera shall have the exclusive right, in its sole discretion, to control, contest, and represent the interests of Applera, any Applera Affiliate, Celera, and/or any Celera Affiliate in any Audits relating to Exchange Taxes and Contribution Taxes and to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Audit; provided, however, that Applera shall not settle any such audit with respect to Exchange Taxes or Contribution Taxes with a Taxing Authority as part of a formal understanding with the Taxing Authority for a settlement on an issue or issues unrelated to such Exchange Taxes or Contribution Taxes that would reasonably be expected to result in a Tax liability to Celera or any Celera Affiliate (including as a result of an indemnification obligation pursuant to this Agreement) in excess of one hundred thousand dollars ($100,000), without the prior consent of Celera, which consent shall not be unreasonably withheld, conditioned or delayed. Applera' s rights shall extend to any matter pertaining to the management and control of such Audit, including execution of waivers, choice of forum, scheduling of conferences and the resolution of any Tax Item. Celera may assume sole control of any Audits relating to Exchange Taxes if it acknowledges in writing that it has sole liability for any Exchange Taxes under Section 4.01(b) that might arise in such Audit and can demonstrate to the reasonable satisfaction of Applera that it can satisfy its liability for any such Exchange Taxes. If Celera is unable to demonstrate to the reasonable satisfaction of Applera that it will be able to satisfy its liability for such Exchange Taxes, but acknowledges in writing that it has sole liability for any Exchange Taxes under Section 4.01(b), Celera and Applera shall have joint control over the Audit.

Section 9. Miscellaneous Provisions.

9.01. Effectiveness. This Agreement shall become effective upon execution by the Parties hereto.

9.02. Cooperation and Exchange of Information.

(a) Cooperation. Celera and Applera shall each cooperate fully (and each shall cause its respective affiliates to cooperate fully) with all reasonable requests from another party for information and materials not otherwise available to the requesting party in connection with the preparation and filing of Tax Returns, claims for refund, and Audits concerning issues or other matters covered by this Agreement or in connection with the determination of a liability for Taxes or a right to a refund of Taxes. Such cooperation shall include:

(i) the retention until the expiration of the applicable statute of limitations, and the provision upon request, of copies of all Tax Returns, books, records (including information regarding ownership and Tax basis of property), documentation and other information relating to the Tax Returns, including accompanying schedules, related work papers, and documents relating to rulings or other determinations by Taxing Authorities;

(ii) the execution of any document that may be necessary or reasonably helpful in connection with any Tax Proceeding, or the filing of a Tax Return or refund claim by a member of the Applera Group or the Celera Group, including certification, to the best of a Party' s knowledge, of the accuracy and completeness of the information it has supplied; and

(iii) the use of the Party' s commercially reasonable efforts to obtain any documentation that may be necessary or reasonably helpful in connection with any of the foregoing. Each Party shall make its employees and facilities available on a reasonable and mutually convenient basis in connection with the foregoing matters.

(b) Retention of Records. Any Party that is in possession of documentation of Applera (or any Applera Affiliate) or Celera (or any Celera Affiliate) relating to the Celera Business, including books, records, Tax Returns and all supporting schedules and information relating thereto (the "Celera Business Records") shall retain such Celera Business Records for a period of seven (7) years following the Exchange Date. Thereafter, any Party wishing to dispose of Celera Business Records in its possession (after the expiration of the applicable statute of limitations), shall provide written notice to the other Party describing the documentation proposed to be destroyed or disposed of sixty (60) business days prior to taking such action. The other Party may arrange to take delivery of any or all of the documentation described in the notice at its expense during the succeeding sixty (60) day period.

9.03. Dispute Resolution. Except with respect to Exchange Taxes, all disputes under this agreement shall be controlled by Section 13.3 of the Separation Agreement. Notwithstanding the foregoing, any disagreement between the Parties relating to Exchange Taxes shall be settled in a court of law or as otherwise agreed to by the Parties.

9.04. Notices. All notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed given upon (a) a transmitter' s confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery of a standard overnight courier the following business day or if delivered by hand the following business day), (b) confirmed delivery of a standard overnight courier or when delivered by hand, or (c) the expiration of five (5) business days after the date mailed by certified or registered mail (return receipt requested), postage prepaid, to the Parties at the following addresses (or at such other addresses for a Party as shall be specified by like notice):

If to Applera or any Applera Affiliate, to the Vice President, Tax of Applera, with a copy to the General Counsel of Applera, at:

Applera Corporation
301 Merritt 7
Norwalk, Connecticut 06851

If to Celera or any Celera Affiliate, to the General Counsel of Celera, at:

Celera Corporation
1401 Harbor Bay Parkway
Alameda, California 94502

Either Party may, by written notice to the other Parties, change the address or the Party to which any notice, request, instruction or other documents is to be delivered.

9.05. Changes in Law.

(a) Any reference to a provision of the Code or a law of another jurisdiction shall include a reference to any applicable successor provision or law.

(b) If, due to any change in applicable law or regulations or their interpretation by any court of law or other governing body having jurisdiction subsequent to the date of this Agreement, performance of any provision of this Agreement or any transaction contemplated thereby shall become impracticable or impossible, the Parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such provision.

9.06. Confidentiality. The Parties shall comply with the confidentiality provisions in section 13.9 of the Separation Agreement.

9.07. Successors. This Agreement shall be binding on and inure to the benefit and detriment of any successor, by merger, acquisition of assets or otherwise, to any of the Parties hereto, to the same extent as if such successor had been an original party.

9.08. Affiliates. Applera shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Applera Affiliate, and Celera shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Celera Affiliate; provided, however, that (1) if it is contemplated that a Celera Affiliate may cease to be a Celera Affiliate as a result of a transfer of its stock or other ownership interests to a third party in exchange for consideration in an amount approximately equal to the fair market value of the stock or other ownership interests transferred and such consideration is not distributed outside of the Celera Group to the shareholders of Celera then (a) Celera shall request in writing no later than thirty (30) days prior to such cessation that Applera execute a release of such Celera Affiliate from its obligations under this Agreement effective as of such transfer provided that Celera shall have confirmed in writing its obligations and the obligations of its remaining Celera Affiliates with respect to their own obligations and those of the departing Celera Affiliate and that such departing Celera Affiliate shall have executed a release of any rights it may have against Applera or any Applera Affiliate by reason of this Agreement, or (b) Celera shall acknowledge in writing no later than thirty (30) days prior to such cessation that it shall bear one hundred percent (100%) of the liability for the obligations of Celera and each Celera Affiliate (including the departing Celera Affiliate) under this Agreement and (2) if it is contemplated that an Applera Affiliate may cease to be an Applera Affiliate as a result of a transfer of its stock or other ownership interests to a third party in exchange for consideration in an amount approximately equal to the fair market value of the stock or other ownership interests transferred and such consideration is not distributed outside of the Applera Group to the shareholders of Applera then (a) Applera shall request in writing no later than thirty (30) days prior to such cessation that Celera execute a release of such Applera Affiliate from its obligations under this Agreement effective as of such transfer provided that Applera shall have confirmed in writing its obligations and the obligations of its remaining Applera Affiliates with respect to their

own obligations and the obligations of the departing Applera Affiliate and that such departing Applera Affiliate shall have executed a release of any rights it may have against Celera or any Celera Affiliate by reason of this Agreement, or (b) Applera shall acknowledge in writing no later than thirty (30) days prior to such cessation that it shall bear one hundred percent (100%) of the liability for the obligations of Applera and each Applera Affiliate (including the departing Applera Affiliate) under this Agreement. If at any time (1) Applera shall, directly or indirectly, obtain beneficial ownership of more than fifty percent (50%) of the total combined voting power of any other entity, Applera shall cause such entity to become a party to this Agreement by executing together with Celera an agreement in substantially the same form as set forth in Schedule 9.08 and such entity shall have all rights and obligations of an Applera Affiliate under this Agreement, and (2) Celera shall, directly or indirectly, obtain beneficial ownership of more than fifty percent (50%) of the total combined voting power of any other entity, Celera shall cause such entity to become a party to this Agreement by executing together with Applera an agreement in substantially the same form as set forth in Schedule 9.08 and such entity shall have all rights and obligations of a Celera Affiliate under this Agreement.

9.09. Authorization, Etc. Each of the Parties hereto hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such Party, that this Agreement constitutes a legal, valid and binding obligation of each such Party and that the execution, delivery and performance of this Agreement by such Party does not contravene or conflict with any provision of law or of its charter or bylaws or any agreement, instrument or order binding on such Party.

9.10. Entire Agreement. This Agreement contains the entire agreement among the Parties hereto with respect to the subject matter hereof and supersedes any prior tax sharing agreements between Applera (or any Applera Affiliate) and Celera (or any Celera Affiliate) and such prior tax sharing agreements shall have no further force and effect. If, and to the extent, the provisions of this Agreement conflict with any agreement entered into in connection with the Split-Off, the provisions of this Agreement shall control.

9.11. Applicable Law; Jurisdiction. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY (i) AGREES THAT THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND ALL DISPUTES CONTROVERSIES OR CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION OR VALIDITY HEREOF SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, EXCLUDING ITS CONFLICTS OF LAW RULES, (ii) AGREES TO BE SUBJECT TO, AND HEREBY CONSENTS AND SUBMITS TO, THE JURISDICTION OF THE COURTS OF THE STATE OF DELAWARE AND OF THE FEDERAL COURTS SITTING IN THE STATE OF DELAWARE, (iii) TO THE EXTENT SUCH PARTY IS NOT OTHERWISE SUBJECT TO SERVICE OF PROCESS IN THE STATE OF DELAWARE, HEREBY APPOINTS THE CORPORATION TRUST COMPANY, AS SUCH PARTY' S AGENT IN THE STATE OF DELAWARE FOR ACCEPTANCE OF LEGAL PROCESS, AND (iv) AGREES THAT SERVICE MADE ON ANY SUCH AGENT SET FORTH IN (iii) ABOVE SHALL HAVE

THE SAME LEGAL FORCE AND EFFECT AS IF SERVED UPON SUCH PARTY PERSONALLY WITHIN THE STATE OF DELAWARE.

9.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

9.13. Severability. If any term, provision, covenant, or restriction of this Agreement is held by a court of competent jurisdiction (or an arbitrator or arbitration panel) to be invalid, void, or unenforceable, the remainder of the terms, provisions, covenants, and restrictions set forth herein shall remain in full force and effect, and shall in no way be affected, impaired, or invalidated. In the event that any such term, provision, covenant or restriction is held to be invalid, void or unenforceable, the Parties hereto shall use commercially reasonable efforts to find and employ an alternate means to achieve the same or substantially the same result as that contemplated by such terms, provisions, covenant, or restriction.

9.14. No Third Party Beneficiaries. This Agreement is solely for the benefit of Applera, the Applera Affiliates, Celera and the Celera Affiliates. This Agreement should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, cause of action or other rights in excess of those existing without this Agreement.

9.15. Waivers, Etc. No failure or delay on the part of a Party in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement nor consent to any departure by the Parties therefrom shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

9.16. Setoff. All payments to be made by any Party under this Agreement may be netted against payments due to such Party under this Agreement, but otherwise shall be made without setoff, counterclaim or withholding, all of which are hereby expressly waived.

9.17. Other Remedies. Celera recognizes that any failure by it or any Celera Affiliate to comply with its obligations under Section 4 could result in Exchange Taxes that would cause irreparable harm to Applera, Applera Affiliates, and their stockholders. Accordingly, Applera shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which Applera is entitled at law or in equity.

9.18. Amendment and Modification. This Agreement may be amended, modified or supplemented only by a written agreement signed by all of the Parties hereto.

9.19. Waiver of Jury Trial. Each of the Parties hereto irrevocably and unconditionally waives all right to trial by jury in any litigation, claim, action, suit, arbitration, inquiry,

proceeding, investigation or counterclaim (whether based in contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the Parties hereto in the negotiation, administration, performance and enforcement thereof.

9.20. Interpretations. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, Exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed by a duly authorized officer as of the date first above written.

Applera Corporation
on behalf of itself and each of the Applera Affiliates

By: /s/ Mark P. Stevenson
Name: Mark P. Stevenson
Title: Senior Vice President

Celera Corporation
on behalf of itself and each of the Celera Affiliates

By: /s/ Kathy Ordoñez
Name: Kathy Ordoñez
Title: President and CEO

Exhibit 10.36.3

EXECUTION COPY

OPERATING AGREEMENT

BY AND BETWEEN

APPLERA CORPORATION

AND

CELERA CORPORATION

DATED AS OF JULY 1, 2008

[***] indicates material that has been omitted pursuant to a request for confidential treatment. The omitted material has been filed separately with the Securities and Exchange Commission.

TABLE OF CONTENTS

OPERATING AGREEMENT

This Operating Agreement (this "Agreement"), dated as of July 1, 2008 (the "Effective Date"), by and between Applera Corporation, a Delaware corporation ("Applera"), and Celera Corporation, a Delaware corporation ("Celera" and, collectively with Applera, the "Parties," and each individually, a "Party").

R E C I T A L S

WHEREAS, prior to the Separation (as defined below) Applera conducted its business through two business segments – the Applied Biosystems Group, which primarily serves the life science industry, research community and other markets, including human identity testing, biosecurity, and quality and safety testing, by developing and marketing instrument-based systems, consumables, software, and services (the "Applied Biosystems Business"), and the Celera Group, which is primarily a human in vitro diagnostics business that delivers personalized disease management through a combination of products and services (the "Celera Business"); and

WHEREAS, the Board of Directors of Applera has determined that it is advisable and in the best interests of Applera and its stockholders to separate the Celera Group from Applera by way of a redemption of all of the issued and outstanding Celera Group Common Stock pursuant to Article IV, Section 2.4(d) of Applera' s Restated Certificate of Incorporation (the "Separation"), so that, from and after the date hereof, the Celera Business will be conducted through Celera, which will be a separate, independent publicly traded company; and

WHEREAS, to effectuate the Separation, the Parties have entered into that certain Separation Agreement dated as of May 8, 2008 (the "Separation Agreement") setting forth, among other things, the terms and conditions of the Separation (capitalized terms used herein but not defined herein shall have the meanings set forth in the Separation Agreement); and

WHEREAS, in connection with the Separation, Applera intends to effect a name change from Applera Corporation to Applied Biosystems Inc.; and

WHEREAS, in connection with the Separation, Applera and Celera desire to enter into this Agreement to memorialize their mutual understanding and agreement with respect to the conduct of certain aspects of their businesses following the date hereof.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Abbott Alliance" means the strategic alliance among Abbott Laboratories, Applera, and Celera Diagnostics, LLC, pursuant to the Abbott Alliance Agreement.

(b) "Abbott Alliance Agreement" means the Restated Strategic Alliance Agreement, effective as of January 9, 2006, among Applera, Celera Diagnostics, LLC, and Abbott Laboratories.

(c) "Abbott Supply Agreement" means the Abbott Real-Time PCR Instrument Supply Agreement, effective as of September 14, 2004, between Applera and Abbott Laboratories.

(d) "ASR" means an analyte specific reagent as defined under 21 CFR §864.4020(a), as the same may be amended or replaced from to time.

(e) "CE" means capillary electrophoresis.

(f) "CE-Marked" means CE marking in accordance with the In Vitro Diagnostics Directive (IVDD) 98/79/EC.

(g) "CE Assays" means consumable products used on CE sequencers for HIV genotyping, HCV genotyping, HBV genotyping, CF, Fragile X, and HLA typing assays for the analysis of nucleic acids in the HIVD Field.

(h) "CF" means cystic fibrosis.

(i) "CT" means Chlamydia trachomatis.

(j) "Factor II" means prothrombin, a protein involved in blood clotting, and the gene that encodes it or a variant thereof.

(k) "Factor V" means a protein involved in blood clotting, and the gene that encodes it or a variant thereof, such as factor V Leiden.

(l) "Fragile X" means Fragile X syndrome.

(m) "GPR" or "General Purpose Reagent" means a chemical or biological reagent that (i) is not an ASR and (ii) has general laboratory application.

(n) "Group" means either the Applied Biosystems Group or the Celera Group.

(o) "[***]" means [***].

(p) "HBV" means hepatitis B virus.

(q) "HCV" means hepatitis C virus.

(r) "HIV" means human immunodeficiency virus.

(s) "HIVD Field" means the field of human *in vitro* diagnostics as defined on Exhibit A attached hereto.

(t) "HLA" means human leukocyte antigen.

(u) "[***]" means [***].

(v) "Kauai Project" means the Celera instrument development project code-named "Kauai" by the Parties for internal reference purposes.

(w) "Licensed IP" means any Applera intellectual property previously licensed by Celera under the terms of (i) the Real-Time Instrument Patent License Agreement, effective as of April 5, 2004, between Applera and Cepheid, (ii) the Real-Time Instrument Patent License Agreement, effective as of April 25, 2006, and Diagnostics Field DNA Sequencing Sublicense Agreement, effective as of April 25, 2006, between Applera and Beckman Coulter, Inc., or (iii) the License Agreement, effective as of July 1, 2007, and Sequence Analysis License Agreement, effective as of April 20, 2000, between Applera and Siemens Medical Solutions Diagnostics.

(x) "Maui Assays" means consumable products resulting from the Maui Project for HIV genotyping, HCV genotyping, HBV genotyping, CF, Fragile X, and HLA typing assays for the analysis of nucleic acids in the HIVD Field.

(y) "Maui Project" means the Applera instrument development project code-named "Maui" by the Parties for internal reference purposes.

(z) "[***]" means [***].

(aa) "NG" means Neisseria gonorrhoeae.

(bb) "OEM" means a supply arrangement whereby Applera supplies a product to a third party that (i) is not a distributor, agent or wholesaler for Applera, and (ii) resells such product. A specific example of a company that is not a distributor, agent or wholesaler for Applera is a company that commercializes diagnostic products globally.

(cc) "Real-Time Assays" means real-time PCR-based assays for the analysis of nucleic acids of HIV, HCV, HBV, [***], CT, NG, [***], and [***] in the HIVD Field.

(dd) "Real-Time Instrument" means a real-time PCR thermal cycler covered by the claims of US Patent No. 6,814,934.

(ee) "Specified Countries" means the countries and territories, as commonly recognized as of the Effective Date, including any such country and territory as may be

subsequently recognized by a different name, set forth on the "Specified Country List" attached hereto as Exhibit B.

(ff) "Specified Supplier" means [***].

(gg) "Supply Agreement" means that certain Master Purchase Agreement between the Parties of even date with this Agreement pursuant to which Applera is to supply certain products to Celera.

ARTICLE II
GENERAL

Section 2.1 Performance. Applera and Celera hereby agree that each Party shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to comply with the terms of this Agreement, including the operating principles set forth in Article III hereof.

Section 2.2 General Cooperation. Subject to the terms and conditions set forth in this Agreement, Applera and Celera shall each use commercially reasonable efforts to provide to the other Party any information and documentation reasonably required in the performance of such other Party' s obligations hereunder, and make available, as reasonably requested by the other Party, sufficient resources and timely decisions, approvals and acceptances in order that each Party may fulfill its obligations under this Agreement in a timely and efficient manner.

Section 2.3 Research and Development Activities. Applera and Celera agree that (i) the human in vitro diagnostics business of Celera includes research and development activities toward commercialization of products and services in the HIVD Field and (ii) the restrictions imposed on Applera pursuant to this Agreement shall not prevent Applera from conducting its own research and development activities in the HIVD Field at any time during the term of this Agreement.

ARTICLE III
OPERATING PRINCIPLES

Section 3.1 Capillary Electrophoresis Sequencers

(a) *Abbott Alliance*. From and after the Effective Date, Applera shall provide to Abbott Laboratories ("Abbott"), as provided for in the Abbott Alliance Agreement, and/or Celera the current (as of the Effective Date) CE sequencers of Applera and associated consumables, in each case, as they have been provided by Applera to Abbott and/or Celera in connection with the Abbott Alliance prior to the Effective Date or as otherwise provided under a separate supply agreement between Applera and Celera.

(b) *Rights of Celera*. From and after the Effective Date and to the extent not otherwise provided to Abbott and/or Celera, Applera shall provide Celera with CE sequencers and associated consumables in the same manner as provided to other third party customers of

Applera. In the event that Celera wishes to purchase CE sequencers developed by Applera but not otherwise offered for sale, the Parties shall negotiate in good faith the terms and conditions of such access.

(c) *Restrictions on Celera*

(i) Celera shall purchase CE sequencers described in (a) and (b), above, and associated consumables, pursuant to the Supply Agreement.

(ii) Celera may only sell such CE sequencers and associated consumables in the HIVD Field.

(d) *Rights of Applera*. Applera may:

(i) sell any CE sequencer to any end-user for any purpose; and

(ii) OEM any CE sequencer to any customer (an "OEM Customer") for any purpose; provided, however, that any such OEM Customer shall agree that it shall not commercialize any CE Assay on such CE sequencer in any country or territory other than the Specified Countries for a period of three (3) years following the Effective Date, subject to Section 3.9(c) hereof.

(e) *Restrictions on Applera*. Applera shall not:

(i) [***];

(ii) commercialize any CE Assay for a period of three (3) years following the Effective Date, subject to Section 3.9 hereof; or

(iii) enter into an agreement with a third party to co-promote or co-market CE sequencers to be used with CE Assays, in any country or territory other than the Specified Countries for a period of three (3) years following the Effective Date, subject to Section 3.9 hereof.

Section 3.2 Kauai Project.

(a) *Project Development*. Celera may develop products under the Kauai Project that comply with the requirements of the United States Food and Drug Administration (the "FDA"), and shall pay all costs associated with meeting such requirements. Celera and Applera shall enter into good faith negotiations to conclude an agreement regarding the Kauai Project, on mutually agreed upon terms, covering, among other things, support of Celera' s development activities ("Kauai Agreement").

(b) *Kauai Products*.

(i) The products resulting from the Kauai Project shall be intended for use in the HIVD Field, but not intended for use outside the HIVD Field.

(ii) Celera shall be the manufacturer of record for products resulting from the Kauai Project.

(iii) Products resulting from the Kauai Project may only be sold by Celera and only for use in the HIVD Field.

(iv) Except as otherwise agreed by the Parties, Applera shall not sell any instrument resulting from the Kauai Project.

(c) *Access to Specified Supplier.* Applera agrees to use commercially reasonable efforts to facilitate Celera access to the Specified Supplier for the purpose of development and commercialization of products under the Kauai Project.

(i) In the event that Celera is legally required to source products resulting from the Kauai Project directly from the Specified Supplier, it shall be permitted to do so, and in such event Applera shall be entitled to receive compensation from Celera in an amount equal to the amount of incremental proceeds Applera would have received had the products been sourced directly from it. The amount of such incremental proceeds would be calculated in accordance with the provisions of the Kauai Agreement.

Section 3.3 Next Generation Sequencing Technology. It is the intent and mutual understanding of the Parties that this Agreement shall not constitute or be deemed to constitute any commitment or obligation for the Parties to collaborate on any "next generation" sequencing instrument. Specifically, this Agreement places no restrictions whatsoever on either Party relating to the development or commercialization of next generation sequencing instruments.

Section 3.4 Real-Time Instruments.

(a) *Real-Time Instruments*.

(i) Except for the restrictions under the Abbott Supply Agreement in effect as of the Effective Date or as such agreement may be amended by the parties to that agreement with Celera' s approval (not to be unreasonably withheld or delayed), Applera shall be permitted to sell Real-Time Instruments, including instruments registered with a regulatory authority, to any end user for any purpose; and

(ii) Except for the Abbott Supply Agreement in effect as of the Effective Date or as such agreement may be amended by the parties to that agreement with Celera' s approval (not to be unreasonably withheld or delayed), Applera shall not OEM Real-Time Instruments to any OEM Customer for use in the HIVD Field unless such OEM Customer has obtained a license to the relevant Licensed IP for real-time technology in the HIVD Field; provided, however, that any such OEM Customer shall also agree that it shall not commercialize any Real-Time Assay on such Real-Time Instruments, unless otherwise agreed to by Applera and Celera, for a period of three (3) years following the Effective Date, subject to Section 3.9(c) hereof.

(iii) Applera shall not enter into an agreement with a third party to co-promote or co-market Real-Time Instruments to be used with Real-Time Assays, in any country or territory other than the Specified Countries for a period of three (3) years following the Effective Date, subject to Section 3.9 hereof.

(b) *Preferred Supplier Designation*. Applera will be the preferred supplier of Celera' s next generation Real-Time Instrument, subject to the following terms and conditions:

(i) The Parties agree to negotiate in good faith the terms of a supply agreement for such instrument; and

(ii) If, after negotiating in good faith, the Parties are unable to enter into such supply agreement within [***] following receipt of a notice from Celera specifying the date on which the Parties shall commence such negotiation (which date may not be prior to the date of the notice), the Parties may agree to a [***] extension. If the Parties are unable or unwilling to agree to an extension or if no agreement is reached during any such extension, Celera shall be granted [***] to all intellectual property owned by Applera and all intellectual property which Applera has the right to sublicense (and Celera shall bear the cost of any pass through royalties that would be associated with that sublicense) as of the Effective Date that is necessary to make or to have a next generation Real-Time Instrument made and supplied by a third party only to Celera; provided, however, that the terms of any such third-party supply relationship shall be no less favorable to Celera than the terms last proposed by Applera; and, provided further, that such third party shall not be infringing or challenging any patents of Applera related to such next generation real-time instruments at the time when Celera enters into a supply agreement with such third party.

Section 3.5 Reagents.

(a) *Sequence Specific Primers and Probes*. Applera agrees that it will not knowingly commercialize any sequence-specific primers and probes (i) for incorporation by a third party product manufacturer into its products for performing testing in the HIVD Field or (ii) to a clinical laboratory for performing home-brew testing, in either case, for HIV, HCV, HBV, [***], CT, NG, Factor V, Factor II, [***], CF, HLA, Fragile X, and [***], for a period of three (3) years following the Effective Date, subject to Section 3.9 hereof; provided, however, that:

(i) Applera may request that Celera waive this restriction for Applera to commercialize such primers and probes during the three (3) year period following the Effective Date for specific opportunities, it being understood that the decision to so waive this restriction shall be made by Celera in its sole discretion;

(ii) Applera shall not be obligated to actively monitor third party conduct for any inadvertent violation, but Applera and Celera shall discuss an appropriate course of action upon notice from Celera with reasonable evidence of violation of this provision or if Applera otherwise becomes aware of such a violation; and

(iii) The restrictions set forth in this Section 3.5 shall not apply to sales to any third party for sale or use within any Specified Country.

(b) *Analyte Specific Reagents (ASRs).* Applera shall not commercialize, directly or through a distributor, ASRs or kits for performing human testing in the HIVD Field for HIV, HCV, HBV, [***], CT, NG, Factor V, Factor II, [***], CF, HLA, Fragile X, and [***], for a period of three (3) years following the Effective Date, subject to Section 3.9 hereof.

(c) *General Purpose Reagents (GPRs).* This Agreement provides no restrictions or limitations on the ability of Applera to sell GPRs.

(d) *Other Limitations*.

(i) Except for the rights granted pursuant to the HLA License Agreement, Applera shall not have any rights to Celera' s intellectual property assigned to it by Applera pursuant to the Separation Agreement. In the event that Applera has a product that infringes Celera' s intellectual property, and upon notice from Celera with reasonable evidence of unlicensed activity, Applera shall stop selling such product. Applera may resume sales of such product if Applera or its customers are no longer (or are not) infringing Celera' s intellectual property rights in the HIVD Field, unless otherwise prohibited herein.

(ii) Celera shall not commercialize, directly or through a distributor, products in the forensics and applied markets listed on Exhibit C hereto that incorporate intellectual property owned by Applera or which Applera has the exclusive right to sublicense, unless Celera obtains a license directly or indirectly to the relevant intellectual property from Applera under standard third party terms to be mutually agreed upon.

Section 3.6 Maui Project.

(a) *Project Development*. Products developed by Applera under the Maui Project need not be submitted by Applera for registration with the FDA in the United States, but may be registered with any other regulatory authority. Furthermore, it is understood by the Parties that any instrument developed under the Maui Project shall not be "Alliance Products" or "Alliance Technology" (as such terms are defined in the Abbott Alliance Agreement) and shall be treated within the Abbott Alliance in the same manner as other similar products of Applera that are not "Alliance Products" or "Alliance Technology."

(b) *Rights of Applera*. In connection with the Maui Project, Applera shall be free to:

(i) sell any product resulting from the Maui Project to any end-user for any purpose; and

(ii) OEM any product resulting from the Maui Project to any customer for any purpose; provided, however, that any such OEM Customer shall agree that it shall not commercialize any Maui Assay in any country or territory other than the Specified Countries for a period of three (3) years following the Effective Date, subject to Section 3.9(c) hereof.

(c) *Restrictions on Applera*. In connection with the Maui Project, Applera shall not:

(i) supply or OEM any instrument resulting from the Maui Project to Abbott other than through the Abbott Alliance; or

(ii) commercialize the Maui Assays for a period of three (3) years following the Effective Date, subject to Section 3.9 hereof.

(d) *Celera Rights and Restrictions.* Celera may purchase products resulting from the Maui Project through the Supply Agreement. In addition, Celera may only sell products resulting from the Maui Project for use in the HIVD Field.

(e) *US FDA Cleared or Approved Version of Maui.* Applera agrees that if it obtains FDA clearance or approval on an instrument developed under the Maui Project in the United States, or any instrument that is substantially based on the design and throughput of an

instrument developed under the Maui Project, it will make such FDA cleared or approved version of the Maui product available to Celera under the Supply Agreement.

Section 3.7 Licenses and Licensing.

(a) *Celera Licensing Rights*. There shall be no restrictions on Celera' s ability to license any intellectual property assigned to Celera by Applera as of the Effective Date.

(b) *Licensed Intellectual Property*. Subject to the following conditions, Celera and Applera shall work together in good faith to license to third parties the Licensed IP in the HIVD Field:

(i) All such licenses shall be consistent with existing licenses to the Licensed IP; provided, however, that the terms of a new HIVD Field license to an existing non-HIVD Field licensee shall use language and terms that do not conflict with the terms (especially definitions of fields) of the existing license to said licensee.

(ii) Celera shall have primary responsibility for negotiation of the licenses, although Applera will be kept informed of, and have the right to participate in, all such negotiations. Celera will provide Applera with reasonable prior notice of meetings, whether in person or by phone, with potential licensees. Celera will also provide Applera with reasonable time to review documents prior to sending them to potential licensees.

(iii) All revenue generated by such licenses shall be shared equally between Celera and Applera.

(iv) The Parties have agreed on a list of approved licensees and a general framework for licenses. Transactions by either Party with such licensees and consistent with such general framework shall not require any further approval of the other Party. Other licensees and/or changes from the framework shall require approval of both Parties.

(v) From and after the Effective Date, Celera and Applera shall share costs associated with the Licensed IP, which costs include maintenance, prosecution, enforcement, and defense costs, in such proportion as may be agreed by the Parties or as is necessary and appropriate to reflect the relative financial and other benefits received by each Party. Any disagreement regarding the allocation of such costs shall be resolved in accordance with the dispute resolution procedures set forth in Article XIII of the Separation Agreement.

Section 3.8 Applera Intellectual Property. Except as otherwise provided herein, ownership of, and all rights in all fields to, Applera intellectual property shall remain with the

Party that is the successor to the Group (including by way of name change) responsible for prosecuting or maintaining such intellectual property prior to the Separation.

Section 3.9 Application of Restrictions in Event of Acquisitions.

(a) *Acquisition of Competing Product.* Notwithstanding any other provision hereof, the restrictions relating to assays described in Section 3 above do not apply to, and shall not restrict, on a product-by-product basis, the commercialization of an Existing Competing Product (as defined below) acquired as part of an acquisition of a third party or business by Applera or any Affiliate, nor shall any such provision prohibit an acquirer of Applera from continuing to commercialize an Existing Competing Product following its acquisition of Applera.

(b) *Definition of Existing Competing Product.* For purposes of this Agreement, "Existing Competing Product" means a product that (i) a third party has: (w) commercialized on or before the date of acquisition, or (x) submitted to a regulatory authority for approval or clearance on or before the date of acquisition, or (y) initiated clinical trials in connection with regulatory submission on or before the date of acquisition, or (z) Quality System Regulation documentation showing that such product was in development before May 1, 2008 and (ii) is a CE Assay, Maui Assay, or Real-Time Assay.

(c) *Use of Applera Technology.* Notwithstanding any other provision hereof, in the event Applera is acquired by a third party and such acquirer elects to produce a competing product that is not dependent on Applera technology, it will be free from any restrictions on such competing product under this Agreement. For the avoidance of doubt, the fact that an acquirer has obtained a license under rights from Applera to make, have made, use and sell the competing product, but that the competing product is substantially the result of the design and development of the acquirer, shall not be construed for purposes herein as being "dependent on Applera technology."

Section 3.10 Use and Restrictions of Confidential Information, Know-How and Trade Secrets.

(a) Any Information Known solely by one Group prior to the Effective Date ("Sole Information") will be owned solely by the Party that is the successor to that Group (including by way of name change) after the Effective Date. Neither Party shall be permitted to use or disclose Sole Information of the other Party, except to the extent that such Sole Information (i) is or becomes generally available to the public, (ii) is independently developed after the Effective Date by the Party that did not Know such Information prior to the Effective Date, or (iii) becomes available after the Effective Date to the Party that did not Know such Information prior to the Effective Date on a nonconfidential basis from a source other than the other Party, provided that such source is not subject to a confidentiality agreement or other obligation of confidentiality to the other Party or any other Person with respect to any of such Information. For purposes of this Section 3.10(a), "Know" shall mean actual knowledge, as well as Information in a Party' s possession in written, electronic or other tangible or intangible forms, stored in any medium.

(b) With respect to Information relating to the Celera Business or the Applied Biosystems Business that is Known by both Groups ("Joint Information"), Celera' s use of such Joint Information after the Effective Date shall be limited to the HIVD Field. However, Celera may use or disclose to third parties for any purpose such Joint Information primarily generated by the Celera Group using its resources prior to the Effective Date, except for those assets and businesses that have been transferred to the Applied Biosystems Group (including, by way of example, the assets transferred by Celera to the Applied Biosystems Group related to the Celera Discovery System). If the Joint Information relates to the Applied Biosystems Business and was primarily generated by the Applied Biosystems Group using its resources prior to the Effective Date, Celera may not disclose such Joint Information without the approval of Applera. For purposes of this Section 3.10(b), Joint Information shall not include Information that (i) is or becomes generally available to the public other than through any act in violation of this Agreement by the Party seeking to use or disclose such Joint Information, (ii) is independently developed after the Effective Date by the Party seeking to use or disclose such Joint Information, or (iii) becomes available after the Effective Date to the Party seeking to use or disclose such Joint Information on a nonconfidential basis from a source other than the other Party, provided that such source is not subject to a confidentiality agreement or other obligation of confidentiality to the other Party or any other Person with respect to any of such Information.

(c) Applera shall not use or disclose Information that specifically relates to FDA requirements for registration of an instrument under the Kauai Project as of the Effective Date, that was primarily generated by the Celera Group using its resources prior to the Effective Date, and that is Known by both Groups (the "FDA Information"). For purposes of this Section 3.10(c), FDA Information shall not include Information that (i) is or becomes generally available to the public other than through any act of Applera in violation of this Agreement, (ii) is independently developed by Applera after the Effective Date, or (iii) becomes available to Applera after the Effective Date on a nonconfidential basis from a source other than Celera, provided that such source is not subject to a confidentiality agreement or other obligation of confidentiality to Celera or any other Person with respect to any of such FDA Information. In addition, Applera shall not use or disclose: (i) Celera' s Quality Manual and associated operating procedures for conformance to FDA' s Quality System Regulation; (ii) strategic plans of the Celera Business as presented by Celera' s executive management to Applera' s executive management; or (iii) Celera' s diagnostic product designs and batch records. In the event that Applera elects to seek FDA registration for an instrument under the Maui Project, it shall make a good faith effort to avoid using the Celera Group' s Kauai design and specifications required for FDA compliance that is Known to the Applied Biosystems Group prior to the Effective Date. Notwithstanding its use of good faith efforts, in the event Applera should inadvertently use any of such Information specified in this Section 3.10(c), the Parties will discuss an appropriate course of action for such inadvertent use, prior to subjecting the matter to the Dispute Resolution Procedures set forth in Article V of this Agreement.

ARTICLE IV
RELATIONSHIP TO OTHER DOCUMENTS

If there is any conflict or inconsistency between the terms and conditions of this Agreement and the Separation Agreement, the provisions of this Agreement shall control solely with respect to the rights and obligations of the Parties set forth herein.

ARTICLE V
DISPUTE RESOLUTION

If a dispute arises between the Parties with respect to the terms and conditions of this Agreement, or any subject matter governed by this Agreement, the Parties agree to use and follow the dispute resolution procedures set forth in Article XIII of the Separation Agreement to resolve any such dispute.

ARTICLE VI
INDEMNIFICATION

Each Party shall indemnify, defend and hold harmless the other Party, against and in respect of any and all Indemnifiable Losses that result from, relate to or arise out of this Agreement, to the extent and in the manner set forth in Article XI of the Separation Agreement, except to the extent that any such Indemnifiable Losses arise out of or result from the gross negligence or willful misconduct of such other Party.

ARTICLE VII
FORCE MAJEURE

No Party shall be in default of this Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, power failures, communication failures including internet disruptions, equipment failures, labor problems or unavailability of parts. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay.

ARTICLE VIII
TERMINATION

Section 8.1 Termination. This Agreement may be terminated at any time by the mutual written consent of the Parties.

Section 8.2 Termination for Default. In the event: (i) either Party shall default, in any material respect, in the due performance or observance by it of any of the other terms,

covenants or agreements contained in this Agreement or (ii) either Party shall become or be adjudicated insolvent and/or bankrupt, or a receiver or trustee shall be appointed for either Party or its property or a petition for reorganization or arrangement under any bankruptcy or insolvency law shall be approved, or either Party shall file a voluntary petition in bankruptcy or shall consent to the appointment of a receiver or trustee, the non-defaulting Party shall have the right, at its sole discretion, (A) in the case of a default under clause (ii), to immediately terminate this Agreement, and (B) in the case of a default under clause (i), to terminate this Agreement if the defaulting Party has failed to (x) cure the default within thirty (30) days of written notice of default or if the default (except for defaults as a result of failure to make payment) is such that it will take more than thirty (30) days to cure, within an extended time period which shall be not longer than what is reasonably necessary to effect performance or compliance or (y) diligently pursue the curing of the default.

Section 8.3 Return or Destruction of Material. Upon termination of this Agreement, each of Applera and Celera will, and will cause their respective Subsidiaries to, return or destroy any and all material and property of a proprietary nature involving the other Party and its Subsidiaries, in its possession or control, within thirty (30) days after the termination of this Agreement. Notwithstanding anything to the contrary contained in this Agreement, upon the termination or expiration of this Agreement, Celera shall no longer be entitled to, and shall cease all access to Applera' s information, data, systems and other assets that are not Celera Group Assets and Applera shall no longer be entitled to, and shall cease all access to Celera' s information, data, systems and other assets that are not Applied Biosystems Group Assets.

Section 8.4 Effect of Termination. The provisions of Section 3.10 and Articles IV, V, VI, VII, VIII and X shall survive the termination or expiration of this Agreement.

ARTICLE IX
OTHER REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 9.1 Compliance with Laws. Each Party shall comply, at its own expense, with the provisions of all laws applicable to the performance of its obligations under this Agreement.

Section 9.2 Books and Records. Each Party or its Affiliates will maintain books and records substantially similar to those maintained prior to the date hereof pertaining to that portion of the Applera businesses attributable to such Party. Each Party or its Affiliates will provide the other Party with access to such books and records in accordance with the provisions of Section 9.2 of the Separation Agreement. All such information shall be subject to the terms of the confidentiality provisions set forth in Section 9.6 of the Separation Agreement.

Section 9.3 No Other Representations or Warranties. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY NOR ANY OTHER PERSON MAKES ANY OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY ON BEHALF OF EITHER PARTY WITH RESPECT TO THE APPLERA BUSINESSES, AT LAW OR IN EQUITY,

INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED.

ARTICLE X
MISCELLANEOUS

Section 10.1 Relationship of the Parties. The Parties declare and agree that each Party is engaged in a business that is independent from that of the other Party and each Party shall perform its obligations as an independent contractor. It is expressly understood and agreed that Celera and Applera are not partners or joint venturers, and nothing contained herein is intended to create an agency relationship or a partnership or joint venture. Neither Applera nor any of its Affiliates is an agent of Celera or any of its Affiliates and has no authority to represent Celera or any of its Affiliates as to any matters, except as provided in Section 3.2(c) of this Agreement or in writing by Celera from time to time. Neither Celera nor any of its Affiliates is an agent of Applera or any of its Affiliates and has no authority to represent Applera or any of its Affiliates as to any matters, except as authorized in this Agreement or in writing by Applera from time to time.

Section 10.2 Employees of the Parties. Applera shall be solely responsible for payment of compensation to its employees and for any injury to them in the course of their employment. Applera shall assume full responsibility for payment of all federal, state and local taxes or contributions imposed or required under unemployment insurance, social security and income tax laws with respect to such persons. Celera shall be solely responsible for payment of compensation to its employees and for any injury to them in the course of their employment. Celera shall assume full responsibility for payment of all federal, state and local taxes or contributions imposed or required under unemployment insurance, social security and income tax laws with respect to such persons.

Section 10.3 Notices. All notices, requests, demands, waivers and communications required or permitted to be given under this Agreement shall be in writing (which shall include notice by telecopy or like transmission) and shall be deemed given (i) on the day delivered (or if that day is not a Business Day, on the first following Business Day) when (x) delivered personally against receipt or (y) sent by overnight courier, (ii) on the day when transmittal confirmation is received if sent by telecopy (or if that day is not a Business Day, on the first following Business Day) and (iii) on the third Business Day after mailed by certified or registered first-class mail to the Parties at the following addresses (or to such other addresses as a Party may have specified by notice given to the other Party hereto pursuant to this provision):

If to Applera, to:

Applera Corporation
301 Merritt 7
Norwalk, Connecticut 06851
Attention: General Counsel
Facsimile: (203) 840-2902

With a copy to:

Applied Biosystems
850 Lincoln Centre Drive
Foster City, California 94404
Attention: Vice President Intellectual Property
Facsimile: (650) 638-6677

If to Celera, to:

Celera Corporation
1401 Harbor Bay Parkway
Alameda, California 94502
Attention: President
Facsimile: (510) 749-4267

Section 10.4 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of Delaware, without reference to choice of law principles, including matters of construction, validity and performance.

Section 10.5 Parties in Interest; Assignment; Successors. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto (other than to a successor of either Party by way of merger, consolidation, sale of all or substantially all of such Party' s assets or similar transaction) without the prior written consent of the other Parties. Subject to the preceding sentence, this Agreement shall inure to the benefit of and be binding upon Celera and Applera and their respective Subsidiaries, successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies under or by reason of this Agreement.

Section 10.6 Entire Agreement. This Agreement, including the schedules, appendices, certificates, instruments and agreements delivered pursuant hereto, contain the entire understanding of the Parties hereto and thereto with respect to the subject matter contained herein and therein, and supersede and cancel all prior agreements, negotiations, correspondence, undertakings and communications of the Parties, oral or written, respecting such subject matter.

Section 10.7 Exhibits. All exhibits referenced in this Agreement and attached hereto are incorporated into this Agreement by reference and made a part hereof.

Section 10.8 Waivers of Default. Waiver by any Party of any default by any other Party of any provision of this Agreement (a) shall be effective only if in writing; and (b) if given, shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party.

Section 10.9 Amendments. No provisions of this Agreement shall be deemed amended, supplemented or modified by any Party, unless such amendment, supplement or

modification is in writing and signed by the authorized representative of the Party against whom such waiver, amendment, supplement or modification is sought to be enforced.

Section 10.10 Headings The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All references herein to "Articles" or "Sections" shall be deemed to be references to Articles or Sections hereof unless otherwise indicated.

Section 10.11 Severability; Enforcement. The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, each Party agrees that a court of competent jurisdiction may enforce such restriction to the maximum extent permitted by law, and each Party hereby consents and agrees that such scope may be judicially modified accordingly in any proceeding brought to enforce such restriction.

Section 10.12 No Third-Party Beneficiaries. Nothing in this Agreement shall confer any rights upon any Person or entity other than the Parties and their respective heirs, successors and permitted assigns.

Section 10.13 Remedies. The Parties agree that money damages or other remedy at law would not be a sufficient or adequate remedy for any breach or violation of, or a default under, this Agreement by them and that in addition to all other remedies available to them, each of them shall be entitled to the fullest extent permitted by law to an injunction restraining such breach, violation or default or threatened breach, violation or default and to any other equitable relief, including specific performance, without bond or other security being required.

Section 10.14 Expenses. Except as otherwise provided in this Agreement, the Parties shall bear their own expenses (including all time and expenses of counsel, financial advisors, consultants, actuaries and independent accountants) incurred in connection with this Agreement.

Section 10.15 Counterparts. This Agreement may be executed in one or more counterparts, which may be delivered by facsimile or scanned electronic copy in pdf format, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 10.16 No Set-Off. The obligations under this Agreement shall not be subject to set-off for non-performance or any monetary or non-monetary claim by any Party or any of their respective Affiliates under any other agreement between the Parties or any of their respective Affiliates.

Section 10.17 Confidentiality. Disclosure and use of Confidential Information by the Parties shall be governed by Section 9.6 of the Separation Agreement and Section 3.10 of this Agreement.

Section 10.18 Facilities and Systems Security. If either Party or its personnel shall be given access to the other Party' s facilities, premises, equipment or systems, such Party

shall comply with all such other Party' s written security policies, procedures and requirements made available by each Party to the other, and shall not tamper with, compromise, or circumvent any security or audit measures employed by such other Party. Each Party shall use its reasonable best efforts to ensure that only those of its personnel who are specifically authorized to have access to the facilities, premises, equipment or systems of the other Party gain such access, and to prevent unauthorized access, use, destruction, alteration or loss in connection with such access.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have executed and delivered this Agreement as of the date first above written.

APPLERA CORPORATION

By: /s/ Mark P. Stevenson

Name: Mark P. Stevenson

Title: Senior Vice President

CELERA CORPORATION

By: /s/ Kathy Ordoñez

Name: Kathy Ordoñez

Title: President and CEO

Exhibit A

Definition of HIVD Field

Human In Vitro Diagnostics Field. The phrase "Human In Vitro Diagnostics Field" shall mean the field of use comprising products, technologies, services and/or processes for use in the measurement, observation or determination of attributes, characteristics, diseases, traits or other conditions of a human being:

for the medical management of a human being; and/or

for quality control or testing of human blood or tissue for transfusion or blood banking, bone marrow transplantation or banking, or tissue typing for transplantation (where "banking" refers to human samples that are stored in anticipation of future implantation into the donor or transplantation into another human recipient).

Examples of activities in the HIVD Field:

Development, manufacture, or sale of anything labeled for in vitro diagnostic use or any testing products labeled for *investigational use*;

Development, manufacture, or sale of products designated as Analyte Specific Reagents (ASRs) by FDA or corresponding reagent products in foreign regulatory jurisdictions and general purpose reagents (GPRs) that are specifically sold for use with ASRs or such reagent products;

Development or sale of software products for the interpretation of data to provide an HIVD clinical test result;

Development, manufacture, or sale of products that convey amplification, sequencing, or other patent rights in the HIVD Field, or products that are designated specifically for use with products that convey amplification, sequencing, or other patent rights in the HIVD Field;

Genetic testing for sample tracking in a clinical laboratory;

Sale of any *in vitro* testing products regulated by the FDA, including products claimed to be produced under Quality System Regulation to be sold to IVD companies or clinical testing laboratories;

In- and out-licensing or other transfer of patents, technology, or know-how for HIVD use (including any accompanying contract manufacture of custom reagents for specific diagnostic customers' homebrew testing, whether or not the reagents are produced under Quality System Regulation);

Development, manufacture, or sale of, or providing service and support for, systems (reagents, components and/or instruments) developed and manufactured for HIVD use or developed specifically for use with ASRs (or their counterparts outside the US); and

Provision of HIVD testing services.

Examples of activities **not** in the HIVD Field:

Development, manufacture, or sale of products or services for basic and applied research, including clinical research where the medical management of a patient is not involved, unless the product or service is regulated as an in vitro diagnostic test or ASR by the FDA or its foreign counterparts;

Development, manufacture, or sale of products or services for quality assurance and quality control, including testing to determine conformance with specifications, purity and batch-to-batch consistency, but excluding human plasma or tissue-derived samples for the pharmaceutical industry;

Testing of environmental samples, including the detection of organisms, where the medical management of a human is not involved;

Identity testing applications for forensic purposes or determination of paternity, excluding genotyping or other identification testing for medical management of a human being or sample tracking in a clinical laboratory;

In vitro diagnostic testing of non-human (plant or animal) samples, including animal breeding, pedigree determination, or gender determination;

Testing for the agricultural or food industries, including the identification of genetically modified organisms (GMOs) for these industries;

Sale or service of general purpose ("open") instrument systems or general purpose reagents, including enzymes; unless such GPRs are specifically sold for use with ASRs or other products regulated by the FDA or its foreign counterparts;

Sale of non-exclusive information products and services not regulated by FDA (such as the Celera Discovery System) to any customers, including those customers operating in the HIVD Field;

Sale of anything labeled for therapeutic or prophylactic use;

Sale of products or services that convey therapeutic or research patent rights;

In- and out- licensing or other transfer of patents, technology or know-how for use in the therapeutic, research, or applied fields;

Embryonic stem cell and recombinant cell characterization, testing, and quality control applications; and

Epidemiology testing (the screening or testing of groups of people or populations for the study of the patterns, causes, or control of disease in groups of people) and biosecurity testing (the detection of biological or chemical agents, pathogens, microorganisms or other infectious agents in the environment, agriculture, food or water), where the medical management of a human is not involved.

Exhibit B

Specified Country List

Africa

Algeria	Guinea	Senegal
Angola	Ivory Coast	Seychelles
Benin	Kenya	Sierra Leone
Botswana	Lesotho	Somalia
Burkina Faso	Liberia	South Africa
Burundi	Libya	Sudan
Cameroon	Madagascar	Swaziland
Cape Verde	Malawi	Tanzania
Central African Republic	Mali	Togo
Chad	Mauritania	Tunisia
Comoros	Mauritius	Uganda
Congo	Mayotte (France)	Western Sahara
Dem. Republic of Congo (Zaire)	Morocco	Zambia
Djibouti	Mozambique	Zanzibar
Egypt	Namibia	Zimbabwe
Equatorial Guinea	Niger	

Eritrea	Nigeria
Ethiopia	Réunion
Gabon	Rwanda
Gambia	Saint Helena (UK)
Ghana	Sao Tome and Principe

Asia

Afghanistan	Hong Kong	North Korea
Bangladesh	India	Oman
Bhutan	Indonesia	Pakistan
Brit. Ind. Ocean Territory	Japan	Philippines
Brunei	Laos	Singapore
Cambodia	Macau	South Korea
China	Malaysia	Sri Lanka
Christmas Island	Maldives	Taiwan
Cocos Islands	Mongolia	Thailand
Cyprus	Myanmar	Vietnam
East Timor	Nepal	

Middle East

Bahrain	Kuwait	Turkey
Gaza Strip	Lebanon	United Arab Emirates
Iran	Qatar	West Bank
Iraq	Saudi Arabia	Yemen
Israel	Syria	
Jordan	Tunisia	

South America

Argentina

Bolivia

Brazil

Chile

Colombia

Ecuador

Falkland Islands (UK)

French Guiana (France)

Guyana

Paraguay

Peru

Suriname

Uruguay

Venezuela

Forensics and Applied Markets

Basic or applied research within academic, government, biotech, or pharmaceutical institutions;

Quality assurance and quality control, including testing to determine conformance with specifications, purity, and batch-to-batch consistency within pharmaceutical institution' s Process Development, Manufacturing, or Quality Control departments;

Testing of environmental samples, including the detection of organisms where the medical management of a human is not involved;

Human identity testing applications for forensic purposes or determination of paternity;

In vitro diagnostic testing of non-human (plant or animal) samples, including animal breeding, pathogen detection, pedigree determination, or gender determination;

Testing for the agriculture or food industries, including pathogen detection and the identification of genetically modified organisms (GMOs) for these industries;

Stem cell and recombinant cell characterization, testing, and quality control applications; and

Epidemiology testing (the screening or testing of groups of people or populations for the study of patterns, causes, or control of disease in groups of people) and biosecurity testing (the detection of biological or chemical agents, pathogens, microorganisms or other infectious agents in the environment, agriculture, food or water), where the management of a human is not involved.

financial review

Table of Contents

Selected Consolidating Financial Data

Applied Biosystems Inc.

(Dollar amounts in thousands except per share amounts)

Fiscal years ended June 30,	**2008**	2007	2006	2005	2004
Financial Operations					
Net revenues					
Applied Biosystems group	**$2,224,676**	$2,093,467	$1,911,226	$1,787,083	$1,741,098
Celera group	**139,373**	43,371	46,207	66,527	96,828
Eliminations	**(2,565)**	(4,345)	(8,043)	(8,470)	(12,733)
Applied Biosystems Inc.	**2,361,484**	2,132,493	1,949,390	1,845,140	1,825,193
Income (loss) from continuing operations					
Applied Biosystems group	**$316,581**	$170,875	$275,117	$236,894	$172,253
Celera group	**(102,600)**	(19,763)	(62,710)	(77,117)	(57,476)
Eliminations	**(173)**	(341)	85	18	176
Applied Biosystems Inc.	**213,808**	150,771	212,492	159,795	114,953
Per Share Information					
Applied Biosystems Group					
Income per share from continuing operations					
Basic	**$1.83**	$0.93	$1.47	$1.21	$0.84

Diluted	**$1.78**	$0.90	$1.43	$1.19	$0.83
Dividends declared per share	**$0.17**	$0.17	$0.17	$0.17	$0.17
Celera Group					
Net loss per share					
Basic and diluted	**$(1.29)**	$(0.25)	$(0.83)	$(1.05)	$(0.79)
Other Information					
Cash and cash equivalents and short-term investments					
Applied Biosystems group	**$543,205**	$494,464	$373,921	$756,236	$504,947
Celera group	**333,551**	561,496	569,522	668,249	745,794
Applied Biosystems Inc.	**876,756**	1,055,960	943,443	1,424,485	1,250,741
Total assets					
Applied Biosystems group	**$2,398,555**	$2,386,604	$2,245,772	$2,259,149	$1,921,672
Celera group	**663,312**	768,683	773,678	909,887	1,055,581
Eliminations	**(476)**	(2,747)	(6,475)	(4,851)	(4,402)
Applied Biosystems Inc.	**3,061,391**	3,152,540	3,012,975	3,164,185	2,972,851

Selected consolidating financial data provides five years of financial information for Applied Biosystems Inc., formerly known as Applera Corporation. This table includes commonly used key financial metrics that facilitate comparisons with other companies. We include information on our business segments in the selected consolidating financial data to facilitate the understanding of our business and our financial statements. Our board of directors approves the method of allocating earnings to each class of our common stock for purposes of calculating earnings per share. We have derived the selected consolidating financial data from our audited financial statements which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The information in the selected consolidating financial data of the Applied Biosystems group and the Celera group has been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP,

consistently applied, except for the provisions of SFAS No. 123R, ‘‘Share-Based Payment (revised 2004),’’ which were adopted as of July 1, 2005, as discussed in Note 1 to our consolidated financial statements, and the provisions of FIN 48, ‘‘Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109,’’ which were adopted as of July 1, 2007, as discussed in Note 5 to our consolidated financial statements. See Note 17 to our consolidated financial statements for a detailed description of our segments and the management and allocation policies applicable to the attribution of assets, liabilities, revenues and expenses. You should read this selected consolidating financial data in conjunction with our consolidated financial statements and related notes.

Selected Consolidating Financial Data – (Continued)

As part of our recapitalization on May 6, 1999, we issued two classes of common stock called Applied Biosystems Group Common Stock and Celera Group Common Stock. On July 1, 2008, we completed the separation of all of the business, assets, and liabilities of the Celera group into an independent publicly-traded company. See Note 1 to our consolidated financial statements for additional information on our capital structure.

A number of items, shown below, impact the comparability of our data from continuing operations. All amounts are pre-tax, with the exception of the tax items. See Note 2 to our consolidated financial statements for additional information on the events impacting comparability.

(Dollar amounts in millions)

Fiscal years ended June 30,	**2008**	2007	2006	2005	2004
Applied Biosystems Group					
Employee-related charges, asset impairments and other	**$(20.3)**	$–	$(0.4)	$(31.8)	$(25.0)
Legal settlements, net	**7.6**	2.2	(27.4)	8.5	6.7
Gain on asset dispositions			16.9	29.7	
Acquired in-process research and development charge		(114.3)	(3.4)		
Gain on investments, net	**27.6**				11.2
Tax items	**7.8**	23.8	50.2	23.5	
Celera Group					
Revenue from the sales of small molecule programs	**$–**	$2.5	$8.6	$–	$–
Employee-related charges, asset impairments and other	**(7.0)**	(10.3)	(26.2)	(4.3)	(18.1)
Legal settlements, net	**1.1**	2.4	(0.7)		
Gain on investments, net	**(3.1)**		7.6		24.8
Tax items	**(91.3)**	1.4		2.2	

Discussion of Operations

The purpose of the following management discussion and analysis is to provide an overview of the business of Applied Biosystems Inc., formerly known as Applera Corporation (see Celera Separation below), to help facilitate an understanding of significant factors influencing our historical operating results, financial condition, and cash flows and also to convey our expectations of the potential impact of known trends, events, or uncertainties that may impact our future results. You should read this discussion in conjunction with our consolidated financial statements and related notes. Historical results and percentage relationships are not necessarily indicative of operating results for future periods. We have reclassified some prior year amounts for comparative purposes.

In this document, unless the context requires otherwise, references to "Company," "we," "us," or "our" for periods ended on or before July 1, 2008, refer to Applera Corporation, and references to "Company," "we," "us," or "our" for periods ended after July 1, 2008, refer to Applied Biosystems Inc., after giving effect to the separation of the Celera group and the name change discussed in further detail below.

Overview

Through July 1, 2008, we conducted our business through two business segments: the Applied Biosystems group and the Celera group.

The Applied Biosystems group was and is a global leader in the development and marketing of instrument-based systems, consumables, software, and services for academic research, the life science industry, and commercial markets. The Applied Biosystems group commercializes innovative technology solutions for DNA, RNA, protein, and small molecule analysis. Customers across the disciplines of academic and clinical research, pharmaceutical research, and manufacturing, forensic DNA analysis, and agricultural biotechnology use its products and services to accelerate scientific discovery, improve processes related to drug discovery and development, detect potentially pathogenic microorganisms, and identify individuals based on DNA sources. The Applied Biosystems group has a comprehensive service and field applications support team for a global commercialized a wide range of molecular diagnostic products through its strategic alliance with Abbott Laboratories, which began in June 2002, and licensed its diagnostic technologies to clinical laboratories to provide personalized disease management in cancer and liver diseases. The term of the strategic alliance agreement runs until June 2017. The strategic alliance agreement was assigned to Celera Corporation in connection with the separation of Celera from the Company.

In fiscal 1999, as part of a recapitalization of our Company, we created two classes of common stock: Applied Biosystems Group Common Stock, which we refer to as "Applied Biosystems stock," and Celera Group Common Stock, which we refer to as "Celera stock." These two classes of stock, sometimes referred to as "tracking" stocks, were intended to "track" or reflect the relative performance of the Applied Biosystems group and the Celera group, respectively. There was no single security that represented the performance of the Company as a whole. On July 1, 2008, we completed the separation of all of the business, assets, and liabilities of the Celera group into an independent publicly-traded company, as discussed under Celera Separation below.

The Applied Biosystems group and the Celera group were not separate legal entities, and holders of Applied Biosystems stock and holders of Celera stock were all stockholders of the Company. As a result, holders of these stocks were subject to all of the risks associated with an investment in the Company and all of its businesses, assets, and liabilities. The Applied Biosystems group and the Celera group did not have separate boards of directors. The Company had one board of directors, which made any decision in accordance with its good faith business judgment that the decision was in the best interests of the Company and all of its stockholders as a whole.

Our fiscal year ends on June 30. The financial information for both segments is presented in Note 17 to our consolidated financial statements, Segment, Geographic, Customer and Consolidating Information. Management' s discussion and analysis addresses the consolidated financial results followed by the discussions of our two segments.

Celera Separation

installed base of high-performance genetic and protein analysis solutions.

The Celera group was a diagnostics business that delivered personalized disease management through a combination of products and services incorporating proprietary discoveries. Berkeley HeartLab, Inc. (“BHL”), a subsidiary of the Celera group, offered clinical laboratory testing services to characterize cardiovascular disease risk and improve patient management. The Celera group also

On August 8, 2007, we announced that our board of directors had retained Morgan Stanley & Co. Incorporated to explore alternatives to our tracking stock structure, including the possibility of creating independent publicly-traded companies in place of the Applied Biosystems group and the Celera group. Further to that announcement, on July 1, 2008, we completed the separation of all of the business, assets, and liabilities of the Celera group from our remaining business. The

separation was completed by means of a redemption of each outstanding share of Celera stock in exchange for one share of common stock of Celera Corporation, a Delaware corporation, which now holds all of the business, assets, and liabilities previously attributed to the Celera group. On July 1, 2008, following the Celera group separation, Celera Corporation became an independent, publicly-traded company whose shares are listed on the NASDAQ stock market under the symbol "CRA." The Applied Biosystems group became our only business and Applied Biosystems stock became our only class of outstanding common stock. In connection with the Celera separation, we changed our corporate name to Applied Biosystems Inc. to reflect the remaining business of the Company following the separation.

Pending Merger with Invitrogen

On June 12, 2008, we and Invitrogen Corporation announced that our respective boards of directors had approved a definitive merger agreement under which Invitrogen will acquire all of the outstanding shares of Applied Biosystems stock. The merger is subject to customary closing conditions, including approval by the stockholders of each company, and is targeted to close in the fall of 2008. In connection with the proposed merger, on August 4, 2008, Invitrogen filed a Registration Statement on Form S-4 with the Securities and Exchange Commission ("SEC") that includes a joint proxy statement of Applied Biosystems and Invitrogen. Applied Biosystems and Invitrogen will mail the joint proxy statement to their respective stockholders after it is declared effective by the SEC. See Note 4 to our consolidated financial statements for more information on the pending merger.

Business Developments

Applied Biosystems Group

In June 2008, the Applied Biosystems group and its partner, MDS SCIEX, announced several new mass spectrometry software and workflow solutions aimed at helping customers achieve greater productivity across a broad range of applications. The new products include Analyst® 1.5 software, a major platform upgrade, and several important quality and safety testing solutions in applied markets, particularly for the analysis of municipal water for trace contaminants.

which is characterized by a wide range of genetic variation and chromosomal abnormalities. In May 2008, the Applied Biosystems group announced a collaboration with the Wellcome Trust Sanger Institute to study cancer genomics using the SOLiD System. In April 2008, the Applied Biosystems group announced that Baylor University and Beijing Genomics Institute had selected the SOLiD System to help support their participation in the 1000 Genomes Project, a global international consortium aimed at providing a comprehensive map of genetic and structural variation to help understand the causes of disease.

Also in April 2008, the Applied Biosystems group' s StepOne™ Real-Time PCR System was awarded Best New Life Science Product for 2007 based on polling more than 40,000 members of the worldwide scientific community. The StepOne and StepOnePlus™ Systems were developed in response to the growing market of researchers interested in the increasing number of applications for real-time PCR, a common laboratory method used to simultaneously detect and determine the amount of nucleic acids present in biological samples. During the fourth quarter of fiscal 2008, the Applied Biosystems group also made available new TaqMan®-based consumables used with its Real-Time PCR Systems, including reagents to help researchers profile expression levels of microRNAs, or miRNA, from trace amounts of sample, potentially advancing the study of cancer, in which miRNAs are believed to play a critical regulatory role.

In March 2008, the Applied Biosystems group announced that it was expanding its presence in the fast-growing food safety and testing market and planning to provide pathogen detection kits directly to food companies. The first such kit will test for salmonella; additional pathogen test kits are under development.

Also in March, the Applied Biosystems group announced that using the SOLiD System it had sequenced the Yoruban genome for under $60,000 in reagent costs, setting a new standard for experimental value and further setting the stage for consumer genomics and personalized medicine. The experimental data was posted on an NIH website so that researchers around the world could enjoy free and

The Applied Biosystems group' s SOLiD™ 2.0 System began shipping on May 1, 2008. New chemistry, fine-tuned software, and an improved workflow are enabling customers to more than double throughput while reducing run times. The upgraded system offers the highest throughput and accuracy of any next-generation sequencing system available as of July 2008. The SOLiD Systems' mate-pair analysis capability is particularly suited for the study of complex diseases like cancer, unfettered access to the sequence information. Additionally, the Applied Biosystems group introduced a SOLiD-optimized miRNA solution that gives customers the ability to perform digital gene expression experiments to help understand the role these small, regulatory molecules play in cancer and other diseases and pathways.

In February 2008, the Applied Biosystems group introduced new iTRAQ labeling chemistry for mass spectrometry-based proteomics research. The new, high-throughput chemistry lets researchers process up to eight samples in parallel, running them through a

mass spectrometer to identify the proteins and then comparing the expression levels of hundreds of proteins in diseased samples against control samples.

Also in February, the Applied Biosystems group introduced a new forensics kit that can quickly detect low amounts of male DNA present in samples containing high quantities of female DNA, speeding up sample analysis in sexual assault cases. The Applied Biosystems group worked directly with the San Diego, California Police Department to validate the new DNA analysis kit. In a related March 2008 development, a localized, Mandarin-language version of the Applied Biosystems GeneMapper Software and the Chinese Sinofiler kit were introduced for the Chinese human identification market.

In January 2008, the Applied Biosystems group launched its SOLiD System service provider program and named its first four participants. The program enables researchers who do not own or can not access SOLiD System technology an effective channel for generating high-quality genomic data at a reasonable cost and/or evaluating our next-generation sequencing technology prior to system purchase.

In December 2007, our board of directors named Mark P. Stevenson a Senior Vice President of the Company and President and Chief Operating Officer of the Applied Biosystems group.

Also in December, the Applied Biosystems group launched GeneMapper® ID-X, a powerful new software application designed to help forensic laboratories deliver faster DNA results by automating routine DNA data analysis, facilitating more efficient manual review of complex samples and improving the overall workflow of forensic analysis.

In November 2007, the Applied Biosystems group announced an exclusive agreement and collaboration with BioTrove, Inc. to deploy and market TaqMan® genotyping assays on BioTrove' s mid-density OpenArray platform, In January 2008, Morgan Stanley exercised its option to settle this accelerated share repurchase transaction prior to its maturity and delivered to us an additional 1.9 million shares of Applied Biosystems stock. See Note 7 to our consolidated financial statements for more information on the accelerated share repurchase.

Celera Group

In January 2008, the United States Court of Appeals for the Federal Circuit vacated the permanent injunction granted by the lower court for Innogenetics N.V., Ghent, Belgium against Abbott in selling hepatitis C virus, or HCV, genotyping products. Since the jury' s damage award included an upfront entry fee, the Court remanded to the lower court to determine the terms of a compulsory license for Abbott' s future sales. In addition, the Court remanded for a new trial on the validity of the Innogenetics patent in view of a prior-issued patent. Innogenetics did not name the Celera group as a party in this lawsuit, but the Celera group has an interest in these products and in the outcome of the litigation because the products are manufactured by the Celera group and sold through its alliance with Abbott. In September 2006, a jury rendered a verdict against Abbott and awarded $7 million in monetary damages to Innogenetics. The Celera group agreed to share equally the cost of this litigation, including these damages, with Abbott and, therefore, recorded a pre-tax charge of $3.5 million in the first quarter of fiscal 2007 for its estimated share of the damage award. In April 2008, Abbott and Innogenetics settled the patent infringement suit and the Celera group recorded an additional pre-tax charge of $0.6 million in the third quarter of fiscal 2008. In the fourth quarter of fiscal 2008, the Celera group recorded a $0.2 million pre-tax reduction in litigation costs. The Celera group' s share of the costs, including the initial pre-tax charge of $3.5 million recorded in fiscal 2007, was $3.9 million. In addition, through June 30, 2008, the Celera group recorded in operating expenses approximately $3 million, $0.4 million of which were recorded in fiscal 2008, in legal fees associated with this litigation.

enabling customers to cost-effectively identify tens to hundreds of single nucleotide polymorphisms (“SNPs”) in thousands of samples. The product offering is expected to address commercial screening applications in human health and agriculture.

In October 2007, the Applied Biosystems group announced the formal commercial launch of the SOLiD next-generation DNA sequencing system, following an accelerated development program and positive feedback from early-access customers.

In August 2007, we announced that the board of directors increased the current authorization to repurchase shares of Applied Biosystems stock to $1.2 billion. In accordance with the authorization, we executed a $600 million accelerated share repurchase transaction with Morgan Stanley and 16 million shares, or approximately 8.7% of the outstanding shares, were delivered to us during the second quarter of fiscal 2008.

In October 2007, the Celera group acquired substantially all of the assets of Atria Genetics Inc., or Atria, for approximately $33 million in cash, including transaction costs. Atria has a line of human leukocyte antigen molecular diagnostic testing products that are used for identifying potential donors in the matching process for bone marrow transplantation. The cash expenditure for this acquisition was funded by available cash.

Also in October, the Celera group completed the acquisition of BHL for approximately $193 million in cash, including transaction costs. BHL is a cardiovascular healthcare company with a broad portfolio of clinical laboratory tests and disease management services focused on individuals with cardiovascular disease or lipid or metabolic disorders.

The cash expenditure for this acquisition was funded by available cash.

Critical Accounting Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, or GAAP. In preparing these statements, we are required to use estimates and assumptions. While we believe we have considered all available information, actual results could affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. We believe that, of the significant accounting policies discussed in Note 1 to our consolidated financial statements, the following accounting policies require our most difficult, subjective or complex judgments:

Revenue recognition and allowance for doubtful accounts;

Asset impairment;

Taxes;

Pension benefits;

Allocation of purchase price to acquired assets and liabilities in business combinations;

Exit or disposal activities; and

Allocations to the Applied Biosystems group and the Celera group.

Revenue Recognition and Allowance for Doubtful Accounts

process, the portion of the sales price allocable to the fair value of the installation is deferred and recognized when installation is complete. We determine the fair value of the installation process based on technician labor billing rates, the expected number of hours to install the instrument based on historical experience, and amounts charged by third parties. We continually monitor the level of effort required for the installation of our instruments to ensure that appropriate fair values have been determined. Revenues from multiple-element arrangements involving license fees, up-front payments and milestone payments, which are received and/or billable in connection with other rights and services that represent our continuing obligations, are deferred until all of the multiple elements have been delivered or until objective and verifiable evidence of the fair value of the undelivered elements has been established. We determine the fair value of each element in multiple-element arrangements based on the prices charged when the similar elements are sold separately to third parties. If objective and verifiable evidence of fair value of all undelivered elements exists but objective and verifiable evidence of fair value does not exist for one or more delivered elements, then revenue is recognized using the residual method. Under the residual method, the revenues from delivered elements are not recognized until the fair value of the undelivered element or elements has been determined. Contract interpretation is normally required to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes, and if so, how the price should be allocated among the deliverable elements, when to begin to recognize revenue for each element, and the period over which revenue should be recognized.

We recognize royalty revenues when earned over the term of the agreement in exchange for the grant of licenses to use our products or some technologies for which we hold patents. We recognize revenue for estimates of royalties earned during the applicable period, based on historical activity, and make revisions for actual royalties received in the following quarter. Historically, these revisions have not been material to our consolidated financial statements. For those arrangements where royalties cannot be reasonably estimated, we recognize revenue on the receipt of cash or royalty statements from our licensees.

The following describes only the areas that are most subject to our judgment. Refer to Note 1, Accounting Policies and Practices, to our consolidated financial statements for a more detailed discussion of our revenue recognition policy.

In the normal course of business, we enter into arrangements whereby revenues are derived from multiple deliverables. In these revenue arrangements, we record revenue in accordance with Staff Accounting Bulletin (‘‘SAB’’) No. 104, ‘‘Revenue Recognition’’ and Emerging Issues Task Force (‘‘EITF’’) Consensus Issue 00-21, ‘‘Revenue Arrangements with Multiple Deliverables,’’ and related pronouncements. Specifically, we record revenue as the separate elements are delivered to the customer if the delivered item is determined to represent a separate earnings process, there is objective and reliable evidence of the fair value of the undelivered item, and delivery or performance of the undelivered item is probable and substantially in our control. For instruments where installation is determined to be a separate earnings

A portion of the Celera group’ s reported net revenues include patient test service revenues associated with BHL’ s operations. We recognize patient test service revenues on completion of the testing process and when the test results are sent to the ordering healthcare provider. Billings for services reimbursed by third-party payors, including Medicare, are recorded net of allowances for differences between amounts billed and the estimated receipts from such payors. These allowances are determined based on historical activity.

Since the date of acquisition of BHL through June 30, 2008, revenue from Medicare patients represented approximately 39% of the total BHL patient test service revenues. Payment arrangements with third parties, such as Medicare and some insurance companies, include predetermined reimbursement rates for patient tests. Adjustments to the estimated receipts, based on final settlement with the third-party payors, including Medicare, are recorded in revenue on settlement. Historically, adjustments for Medicare have not exceeded 1/4%, and adjustments for non-Medicare payors have not exceeded 1/2%, of total BHL patient test service revenues as compared to our prior quarter estimates. As such, the Celera group estimates the potential impact of subsequent revisions to its reimbursement rates to be in the range of $150,000 to $350,000 as of June 30, 2008.

We have an established process to estimate and review the collectibility of our receivables. Bad debt expense is recorded in SG&A expenses as a percentage of aged accounts receivable considered necessary to maintain an appropriate level of allowance for doubtful accounts. Receivables are reserved based on their respective aging categories. Our process for determining the appropriate level of the allowance for doubtful accounts involves judgment, and considers the age of the underlying receivables, type of payor, historical and projected collection experience, current economic and business conditions, and other external factors that could affect the collectibility of receivables. The allowance for doubtful accounts is reviewed for adequacy, at a minimum, on a quarterly basis. An account is written-off against the allowance for doubtful accounts when reasonable collection efforts have been unsuccessful and it is probable the receivable will not be recovered or the account has been transferred to a third party collection agency.

Asset Impairment

Inventory

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market. Reserves for obsolescence and excess inventory are provided based on historical experience and estimates of future product demand. If actual demand is less favorable than our estimates, inventory write-downs may be required.

Investments

write-down is included in current earnings. We determine whether a decline in fair value is other-than-temporary based on the extent to which cost exceeds fair value, the duration of the market decline, the intent to hold the investment, and the financial health of, and specific prospects for, the investee.

Long-lived assets, including goodwill

We test goodwill for impairment using a fair value approach at the reporting unit level annually, or earlier if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our reporting units are the Applied Biosystems group and the Celera group. Under the impairment test, if a reporting unit' s carrying amount exceeds its estimated fair value, goodwill impairment is recognized to the extent that the reporting unit' s carrying amount of goodwill exceeds the implied fair value of the goodwill. We may be required to record an impairment charge in the future for adverse changes in market conditions or poor operating results of a related reporting unit.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events that could trigger an impairment review include, among others, a decrease in the market value of an asset, an asset' s inability to generate income from operations and positive cash flow in future periods, a decision to change the manner in which an asset is used, a physical change to an asset or a change in business climate. We calculate estimated future undiscounted cash flows, before interest and taxes, resulting from the use of the asset and its estimated value at disposal and compare it to its carrying value in determining whether impairment potentially exists. If a potential impairment exists, a calculation is performed to determine the fair value of the long-lived asset. This calculation is based on a valuation model and discount rate commensurate with the risks involved. Third party appraised values may also be used in determining whether impairment potentially exists.

Taxes

Deferred taxes represent the difference between the tax bases of assets or liabilities, calculated under tax laws, and the reported amounts in our consolidated financial

Publicly traded minority equity investments are recorded at fair value, with the difference between cost and fair value recorded to other comprehensive income (loss) within stockholders' equity. When the fair value of an investment declines below cost, and the decline is viewed as other-than-temporary, the cost basis is written down to fair value, which becomes the new cost basis, and the

statements. Deferred tax assets include items that can be used as a tax deduction or credit in our tax return in future years for which we have already recorded the tax benefit in our consolidated statements of operations or items that have already been included in our tax return income but have yet to be recorded as income in our consolidated statements of operations. We record a valuation allowance against deferred tax assets if it is more likely than not that we will not be able to utilize these assets to

offset future taxes. We determine if a valuation allowance is necessary based on estimates of future taxable profits and losses and tax planning strategies. We believe that our deferred tax assets, net of our valuation allowance, should be realizable due to our estimate of future profitability in the U.S. and foreign jurisdictions, as applicable. Subsequent revisions to estimates of future taxable profits and losses and tax planning strategies could change the amount of the deferred tax asset we would be able to realize in the future, and therefore could increase or decrease the valuation allowance.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109", which supplements Statement of Financial Accounting Standard ("SFAS") No. 109, "Accounting for Income Taxes", by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. In accordance with FIN 48, we regularly assess uncertain tax positions in each of the tax jurisdictions in which we have operations and account for the related financial statement implications. Unrecognized tax benefits have been reported in accordance with the FIN 48 two-step approach under which the tax effect of a position is recognized only if it is "more-likely-than-not" to be sustained and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires us to exercise judgment regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. Future changes in unrecognized tax benefits requirements could have a material impact on our results of operations.

Pension Benefits

We sponsor domestic and foreign pension plans and also provide retiree healthcare and life insurance benefits to some domestic employees. The majority of the assets of the pension plans are invested in equity and fixed income securities. The postretirement benefit plan is unfunded. We also sponsor nonqualified supplemental benefit plans for select U.S. employees in addition to our principal pension assets and approximately 90% of our projected benefit obligations as of the end of fiscal 2008. The accrual of future service benefits for participants in our qualified U.S. pension plan was frozen as of June 30, 2004. Effective in fiscal 2005, the expected rate of compensation increase was no longer factored into the determination of our net periodic pension expense as the accrual for future service benefits was frozen. Refer to Note 6 to our consolidated financial statements for more information regarding our pension and postretirement plans, the impact of our fiscal 2007 adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)," pension plan asset allocation, expense recorded under our plans, and the actuarial assumptions used to determine those expenses and the corresponding liabilities.

The expected rate of return on assets is determined based on the historical results of the portfolio, the expected investment mix of the plans' assets, and estimates of future long-term investment returns. Our assumption for the expected rate of return on assets in our qualified U.S. pension plan ranges from 6.5% to 8.5% for fiscal 2009, compared to our fiscal 2008 range of 6.25% to 8.5%. The discount rate used is based on rates available on high-quality fixed income debt instruments that have the same duration as our plan's liabilities. Specifically, a dedicated bond portfolio model constructs a hypothetical portfolio of high-quality corporate bonds whose cash flows match the expected payments under the plan. The universe of bonds available as of the plan's measurement date is obtained from Bloomberg, a third party data provider, and includes securities of various maturities rated Aa or better by Moody's Investor Service. At June 30, 2008, we calculated our U.S. pension obligation using a 6.5% discount rate, a 25 basis point increase from the June 30, 2007 rate of 6.25%. The increase in our discount rate assumption is expected to decrease our net periodic pension expense for our U.S. pension plans by approximately $0.3 million in fiscal 2009 compared to fiscal 2008. For the determination of the expected rate of return on assets and the discount rate, we take into consideration external actuarial advice.

In connection with the adoption of SFAS No. 158, net loss amounts, which arise primarily from the effects of changes in actuarial assumptions, as well as differences between

plan. These supplemental plans are unfunded. Pension plan expense and the requirements for funding our major pension plans are determined based on a number of actuarial assumptions. These assumptions include the expected rate of return on pension plan assets, the discount rate applied to pension plan obligations, and the rate of compensation increase of plan participants. Our most significant pension plan is our qualified U.S. pension plan, which constituted approximately 95% of our consolidated pension plan

expected and actual returns on plan assets, are recorded as a component of accumulated other comprehensive income. These net loss amounts are being systematically amortized into future net periodic pension expense. Based on a decrease in the number of active participants covered under our qualified U.S. pension plan, effective July 1, 2007, we amortize losses under the plan over 22 years, which is the approximate average remaining life expectancy of inactive participants receiving benefits under the plan. Amortization of these net losses

at June 30, 2008, is expected to increase net periodic pension expense for our qualified U.S. pension plan by approximately $2 million in fiscal 2009.

A one percentage point increase or decrease in the discount rate for our U.S. pension plans for fiscal 2009 would decrease or increase our net periodic pension expense by approximately $1 million. Also, a one percentage point increase or decrease in the expected rate of return on our pension assets for fiscal 2009 would decrease or increase our net periodic pension expense by approximately $3 million. We do not generally fund pension plans when our contributions would not be tax deductible. In fiscal 2006, we made a voluntary contribution of $30 million to the qualified U.S. plan concurrent with our decision to update the mortality assumptions used to value the plan' s liabilities. In fiscal 2008 and 2007, we did not fund this plan. As of June 30, 2008, we do not expect to fund this plan in fiscal 2009 as no contributions are expected to be required under the Employee Retirement Income Security Act ("ERISA") regulations due to the level of contributions made in prior fiscal years. Our estimate of annual contributions is based on significant assumptions, such as pension plan benefit levels, tax deductibility, interest rate levels and the amount and timing of asset returns. Actual contributions could differ from this estimate.

Allocation of Purchase Price to Acquired Assets and Liabilities in Business Combinations

The cost of an acquired business is assigned to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. We assess fair value using a variety of methods, including the use of independent appraisers, present value models, and estimation of current selling prices and replacement values. Amounts recorded as intangible assets, including acquired in-process research and development, or IPR&D, are based on assumptions and estimates regarding the amount and timing of projected revenues and costs, appropriate risk-adjusted discount rates, as well as assessing the competition' s ability to commercialize products before we can. Also, on acquisition, we determine the estimated economic lives of the acquired intangible assets for amortization purposes. Actual results may vary from projected results.

termination benefits, facility-related expenses, elimination or reduction of product lines, asset-related write-offs, and termination of contractual obligations, among other items. We will periodically review these cost estimates and adjust the liability, as appropriate.

Allocations to the Applied Biosystems Group and the Celera Group

The attribution of the assets, liabilities, revenues and expenses to the Applied Biosystems group and the Celera group is primarily based on specific identification of the businesses included in both segments. Where specific identification is not practical, other methods and criteria, which require the use of judgments and estimates, are used that we believe are equitable and provide a reasonable estimate of the assets, liabilities, revenues and expenses attributable to both segments, and are consistently applied.

It is not practical to specifically identify the overhead portion of corporate expenses attributable to each of the businesses. As a result, we allocate these corporate overhead expenses primarily based on headcount, total expenses, and revenues attributable to each business.

Our board of directors approves the method of allocating earnings to each class of common stock for purposes of calculating earnings per share. This determination is based on the net income or loss amounts of the corresponding group calculated in accordance with GAAP, consistently applied.

See Note 17 to our consolidated financial statements for more information on our allocation policies.

Exit or Disposal Activities

From time to time, we may undertake actions to improve future profitability and cash flow performance, as appropriate. We record a liability for costs associated with an exit or disposal activity when the liability is incurred, as required under SFAS No. 146, ‘‘Accounting for Exit or Disposal Activities.’’ Costs incurred under an exit or disposal activity could include estimates of severance and

Events Impacting Comparability

We are providing the following information on some actions taken by us or events that occurred for the three fiscal years ended June 30. We describe the effect of these items on our reported earnings for the purpose of providing you with a better understanding of our on-going operations. You should consider these items when making comparisons to past performance and assessing prospects for future results.

Income/(charge) (Dollar amounts in millions)	**2008**	2007	2006
Severance and benefit costs	**$(10.2)**	$(0.5)	$(14.3)
Asset impairments	**(1.1)**	(6.8)	(10.9)
Excess lease space	**(0.9)**		(1.2)
Other charges	**(15.4)**	(3.6)	(2.6)
Reduction of expected costs	**0.3**	0.6	2.5
Total employee-related charges, asset impairments, and other	**$(27.3)**	$(10.3)	$(26.5)
Other events impacting comparability:			
Revenue from sales of small molecule programs	**$–**	$2.5	$8.6
Asset dispositions and legal settlements	**8.7**	4.6	(11.3)
Acquired research and development		(114.3)	(3.4)

The net assets and results of operations of BHL and Atria have been included in our consolidated financial statements since their respective acquisition dates, and have been allocated to the Celera group.

In July 2006, we acquired Agencourt Personal Genomics, Inc. ("APG") for approximately $121 million in cash, including transaction costs. At the time of the purchase, APG was a privately-held developer of next-generation genetic analysis technology. APG' s proprietary technology was based on stepwise ligation, a novel and very high throughput approach to DNA analysis. We allocated this transaction to the Applied Biosystems group. The cash expenditure for this acquisition was funded by available cash. In accordance with SFAS No. 141, "Business Combinations," we accounted for this transaction as a purchase of assets rather than a business combination since APG did not meet the definition of a business as defined by EITF Abstracts Issue 98-3, "Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business." The key considerations impacting our accounting determination were that APG was primarily focused on research and development activities, had not commenced principal operations, and did not have products, customers or revenues.

Effective March 1, 2006, we acquired the Research Products Division of Ambion, Inc. for approximately $279 million in cash, including transaction costs. Ambion is a provider of innovative products for the study and analysis of RNA for life science research and drug development. The Ambion products are used by researchers to study RNA and its role in disease development and progression. The cash expenditure for this acquisition was funded by available cash. The net assets and results of operations of Ambion have been included in our consolidated financial statements since the date of the acquisition, and have been allocated to the Applied Biosystems group.

For further information on these acquisitions, see Note 3 to our consolidated financial statements.

Investment gains, net	**24.5**		7.6
Tax items	**(83.5)**	25.2	50.2

Acquisitions

In October 2007, we acquired BHL for $193.2 million in cash, including transaction costs. BHL is a cardiovascular healthcare company with a Clinical Laboratory Improvement Amendments of 1988 (“CLIA”)-certified laboratory that provides a broad portfolio of clinical laboratory tests and disease management services focused on individuals who have cardiovascular disease or lipid or metabolic disorders. We believe that the acquisition provides the Celera group with a commercial infrastructure to bring its new genetic tests to the U.S. cardiovascular market. Additionally, BHL is expected to provide opportunities for the Celera group to 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 clinical laboratory service business. The cash expenditure for this acquisition was funded by available cash.

Also in October 2007, we acquired substantially all of the assets of Atria for $33.3 million in cash, including transaction costs. Atria has a line of HLA testing products that are used for identifying potential donors in the matching process for bone marrow transplantation. The acquisition provides the Celera group with direct access to tissue typing in the transplantation and bone marrow registry market. The cash expenditure for this acquisition was funded by available cash.

Acquired Research and Development

In fiscal 2007, the Applied Biosystems group recorded a $114.3 million charge to write-off the value of acquired IPR&D in connection with the acquisition of APG. As of the acquisition date, in July 2006, the technological feasibility of the acquired IPR&D project had not been established, and it was determined that the project had no future alternative use. The project being developed, which consisted of both an instrument and reagents, was intended for very high throughput genetic analysis applications, including DNA sequencing and expression profiling. The determination of the amount attributed to acquired IPR&D took into consideration an independent appraisal performed by an outside consultant.

At the date of acquisition, the project was in the development stage and approximately 30% complete. The work on this project was completed in September 2007. The following table briefly describes the APG project at the acquisition date.

	At Acquisition Date		
(Dollar amounts in millions)	Fair Value	Estimated Costs to Complete	Approximate Percentage Completed
Instruments	$66.6	$ 10.0	35%
Reagents	47.7	6.0	25%
Total	$114.3	$ 16.0	

In June 2007, we made our first placements of this next generation instrument system to early access customers. Based on the performance of the system, the level of interest shown by our potential customers, and the progress in our manufacturing scale up, we accelerated the commercial release of the system to October 2007. The initial instrument and reagents began generating revenue in the third quarter of fiscal 2008. The total project costs were approximately $29 million, an increase of $13 million from the estimate as of the acquisition date. These additional R&D expenditures were for labor and materials required to accelerate the commercial launch of the platform and optimize features to better

Employee-Related Charges, Asset Impairments, and Other

The following items have been recorded in the Consolidated Statements of Operations in employee-related charges, asset impairments and other, except as noted.

Fiscal 2008

During fiscal 2008, both the Applied Biosystems group and the Celera group recorded pre-tax charges of $3.7 million, $2.6 million of which was recorded in the fourth quarter of fiscal 2008, primarily for professional fees related to the separation of the Celera group from the Company. The Applied Biosystems group and the Celera group have agreed to share equally the costs incurred for the separation.

During the fourth quarter of fiscal 2008, the Applied Biosystems group recorded a pre-tax charge of $7.8 million for costs associated with the merger with Invitrogen.

Also during the fourth quarter of fiscal 2008, the Applied Biosystems group recorded pre-tax charges of $4.7 million for severance costs for 32 employees, some of whom were involved in the LC/MS product line, which is included in the Applied Biosystems/MDS SCIEX Instruments business, a 50/50 joint venture between the Applied Biosystems group and MDS Inc. Included in the $4.7 million charge was a charge of $0.7 million for severance costs related to the Applied Biosystems/MDS SCIEX Instruments business. The charges resulted from the realignment of the Applied Biosystems group to support its strategic growth priorities and the decision at MDS to resize and refocus its development process. All of the affected employees of the Applied Biosystems group were notified by May 31, 2008, and are expected to be terminated by December 31, 2008. During the fourth quarter of fiscal 2008, we made cash payments of $0.6 million related to these charges. Cash expenditures were funded by cash provided by operating activities. The remaining cash expenditures of $4.1 million are expected to be paid by December 31, 2008.

Also during the fourth quarter of fiscal 2008, the Applied Biosystems group recorded pre-tax charges of $1.3 million, comprised of a $0.8 million charge in connection with the disposal of an aircraft and a $0.5 million related charge for severance costs for 5 employees. The Applied Biosystems

compete with other already commercialized next generation technologies. This increase in costs was offset by reductions in other planned R&D projects.

During fiscal 2006, the Applied Biosystems group recorded a $3.4 million charge to write-off the value of acquired IPR&D in connection with the acquisition of Ambion. As of the acquisition date, the technological feasibility of the related projects had not been established, and it was determined that the acquired projects had no future alternative uses. The determination of the amount attributed to acquired IPR&D took into consideration an independent appraisal performed by a third party.

group completed the sale of the aircraft in the fourth quarter of fiscal 2008. All of the affected employees were notified in the fourth quarter of fiscal 2008, and are expected to be terminated by the end of the first quarter of fiscal 2009.

Additionally during fiscal 2008, the Applied Biosystems group recorded a pre-tax charge of $2.9 million for severance costs for 41 employees. The charge resulted from the realignment of the Applied Biosystems group' s organization to support market dynamics and it plans on redirecting the savings into other strategic initiatives. All of the affected employees were notified as of December 31, 2007, and were terminated by June 30, 2008. During fiscal 2008, we made cash payments of $2.6 million related to this charge. In the fourth quarter of fiscal 2008, the Applied Biosystems group recorded a pre-tax benefit of $0.1 million for a reduction in anticipated employee-related costs associated with this charge. Cash expenditures were funded by cash provided by operating activities. The remaining cash expenditures of $0.2 million are expected to be paid by the end of September 2008.

During fiscal 2008, the Celera group recorded a pre-tax charge of $1.3 million for severance costs for approximately 30 employees. All of the affected employees were notified by March 31, 2008, and are expected to be terminated by the end of the first quarter of fiscal 2009. During fiscal 2008, we made net cash payments of $1.0 million related to this charge. Cash expenditures were funded by available cash. The remaining cash expenditures of $0.3 million are expected to be paid by the third quarter of fiscal 2009. This charge resulted from the realignment of the Celera group' s R&D resources and other activities in line with its current business activities.

Also during fiscal 2008, the Celera group recorded pre-tax charges totaling $1.3 million related to a reduction in the Celera group' s proteomic-based activities. These charges were in addition to a charge recorded in the fourth quarter of fiscal 2007 described below. These charges were comprised of a $0.8 million charge for severance costs for approximately 20 employees and an excess lease space charge of $0.9 million, partially offset by a gain of $0.4 million from the disposal of equipment related to proteomic-based activities. All of the affected employees were notified by October 31, 2007, and were terminated by the end of the fourth quarter of fiscal 2008. During fiscal 2008, we made net cash payments of $0.7 million related to the severance charge and $0.2 million related to the excess lease space charge. Cash expenditures were funded by available cash. The remaining cash expenditures of $0.1 million for the severance charge are expected to be paid by the end of the second quarter of

Also during fiscal 2008, the Celera group recorded a pre-tax charge of $0.3 million in the fourth quarter of fiscal 2008 for the write-down of the carrying amount of an owned facility that was impaired initially in fiscal 2006 and a pre-tax charge of $0.6 million partially offset
by a reduction of $0.2 million in the fourth quarter of fiscal 2008 related to the patent infringement suit with Innogenetics N.V. for which the original charge was recorded in fiscal 2007. All of these items are discussed below.

Fiscal 2007

During the fourth quarter of fiscal 2007, the Celera group recorded a pre-tax charge of $0.5 million for severance costs for approximately 20 employees. The charge resulted from a reduction in the Celera group' s proteomics-based activities. This action was intended to continue to improve the Celera group' s financial results, in part due to lower operating expenses. All of the affected employees were notified as of June 30, 2007, and were terminated by October 31, 2007. All cash expenditures related to this charge were disbursed by the end of fiscal 2008. Cash expenditures were funded by available cash.

Also during fiscal 2007, the Celera group recorded a pre-tax charge of $6.3 million, which was primarily comprised of $6.8 million of pre-tax charges for the write-downs of the carrying amount of an owned facility that was impaired initially in fiscal 2006, partially offset by a pre-tax benefit of $0.6 million for a reduction in anticipated employee-related costs associated with severance and benefit charges recorded in fiscal 2006, as further discussed below.

During fiscal 2007, the Celera group recorded a pre-tax charge of $3.5 million for its estimated share of a damage award in continuing litigation between Abbott and Innogenetics N.V. In September 2006, a jury found that the sale of HCV genotyping analyte specific reagents (“ASRs”) products by Abbott willfully infringed a U.S. patent owned by Innogenetics and awarded Innogenetics $7.0 million in damages. In January 2007, the U.S. District Court for the Western District of Wisconsin ruled in favor of Innogenetics' request for a permanent injunction and ordered Abbott to withdraw its products from the market. The Court also reversed the jury verdict of willful infringement and ruled that Abbott did not willfully infringe Innogenetics' patent and

fiscal 2009. The excess lease space charge represented the estimated cost of excess lease space less estimated future sublease income on a facility. The remaining cash expenditures of $0.7 million for the excess lease space charge are expected to be paid through April 2010. These charges resulted from the Celera group' s desire to improve its financial results, in part by lowering operating expenses.

denied Innogenetics' request for enhanced damages and attorneys' fees. Innogenetics did not name the Celera group as a party in this lawsuit, but the Celera group has an interest in these products and in the outcome of the litigation because the enjoined products are manufactured by the Celera group and sold through its alliance with Abbott. Also, as these products are part of its alliance with Abbott, the Celera group agreed to share equally the cost of this litigation, including the damage award described above. Abbott appealed the

judgment. On January 17, 2008, the United States Court of Appeals for the Federal Circuit vacated the permanent injunction granted by the lower court for Innogenetics against Abbott in selling HCV genotyping products. Since the jury' s damage award included an upfront entry fee, the Court remanded to the lower court to determine the terms of a compulsory license for Abbott' s future sales. In addition, the Court remanded for a new trial on the validity of the Innogenetics patent in view of a prior-issued patent. The Court also affirmed the judgment of infringement and the judgment of no willful infringement. In April 2008, Abbott and Innogenetics settled the patent infringement suit and the Celera group recorded an additional pre-tax charge of $0.6 million in the third quarter of fiscal 2008. In the fourth quarter of fiscal 2008, the Celera group recorded a $0.2 million pre-tax reduction in litigation costs. The Celera group' s share of the costs, including the initial pre-tax charge of $3.5 million recorded in fiscal 2007, was $3.9 million. In addition, through June 30, 2008, the Celera group recorded $2.9 million of legal fees in operating expenses associated with this litigation, $0.4 million of which were recorded in fiscal 2008.

Fiscal 2006

In fiscal 2006, the Applied Biosystems group recorded pre-tax charges of $1.5 million for employee terminations related to the Applied Biosystems/MDS SCIEX Instruments business. MDS recorded a restructuring charge for a reduction in workforce as part of its strategy to focus on the life sciences market. The $1.5 million represented the Applied Biosystems group' s share of the restructuring charge.

Also in fiscal 2006, the Applied Biosystems group recorded a $1.1 million pre-tax impairment charge to write-down the carrying amount of its San Jose, California facility to its then estimated current market value less estimated selling costs. This charge was in addition to the charge recorded in fiscal 2005 described below. In fiscal 2006, the Applied Biosystems group recognized a $0.9 million pre-tax favorable adjustment to the charges previously recorded based on the actual sales price per the agreement to sell the facility. The Applied Biosystems group completed the sale of the facility in fiscal 2006.

During fiscal 2006, the Celera group recorded pre-tax charges related to its decision to exit its small molecule drug discovery and development programs and the integration of Celera Diagnostics into the Celera group. Celera Diagnostics was a 50/50 joint venture between the Applied Biosystems group and the Celera group. Effective January 1, 2006, the Celera group acquired the Applied Biosystems group' s 50 percent interest in the Celera Diagnostics joint venture. These charges consisted of the following components:

(Dollar amounts in millions)	Employee-Related Charges	Asset Impairments	Other	Total
Total charges	$12.8	$9.8	$3.8	$26.4
Cash payments	7.9		2.6	10.5
Non-cash activity		9.3	0.2	9.5
Balance at June 30, 2006	4.9	0.5	1.0	6.4
Additional charge		6.8		6.8
Non-cash activity		6.8		6.8
Cash payments	4.2		0.7	4.9
Reduction of expected costs	0.6			0.6
Balance at June 30, 2007	0.1	0.5	0.3	0.9
Additional charge		**0.3**		**0.3**
Non-cash activity		**0.3**		**0.3**

Reduction of expected costs				
	0.1			**0.1**
Balance at June 30, 2008				
	$ –	**$0.5**	**$0.3**	**$ 0.8**

The employee-related charges were severance costs primarily for staff reductions in small molecule drug discovery and development. As of March 31, 2006, all of the affected employees were notified and by September 30, 2006, all were terminated. In fiscal 2007, the Celera group recorded a pre-tax benefit of $0.6 million for a reduction in anticipated employee-related costs associated with the severance and benefit charges recorded in fiscal 2006. The asset impairment charges primarily related to a write-down of the carrying amount of an owned facility to its then estimated current market value less estimated selling costs, as well as write-offs of leasehold improvements and equipment. This facility was reclassified into assets held for sale in fiscal 2006. In fiscal 2007, the Celera group recorded additional pre-tax charges of $6.8 million to write-down the carrying amount of this facility. In the fourth quarter of fiscal 2008, the Celera group recorded an additional pre-tax charge of $0.3 million relating to this facility. The estimates of market value for this facility were based on third-party appraisals. Cash expenditures for these charges were funded by available cash. These actions enabled the Celera group to focus on its molecular diagnostics and proteomics activities, reduce its cash consumption, and progress toward profitability. The remaining required cash expenditures related to these charges are expected to be disbursed by June 30, 2009.

Fiscal 2005

During fiscal 2005, the Applied Biosystems group recorded pre-tax charges totaling $32.9 million for employee-related charges, excess lease space and asset impairments. The severance charges reflected the Applied Biosystems group' s decision to reduce and rebalance its workforce and were implemented as a result of a strategic and operational analysis conducted by management. All cash expenditures related to the employee-related portion of these charges were disbursed by the end of fiscal 2007. The asset impairment charges related to the write-down in value of the Applied Biosystems group' s facilities in San Jose, California, and Houston, Texas and the related cash expenditures were disbursed by the end of fiscal 2006. The excess lease space charges represented the estimated cost of excess lease space less estimated future sublease income for some leases on facilities in Massachusetts and California which extend through fiscal 2011. During fiscal 2008, the Applied Biosystems group made cash payments of approximately $1.0 million related to the excess lease space charges, which was funded by available cash. Over the course of the leases, additional pre-tax charges of $1.5 million, including $0.4 million recorded in the fourth quarter of fiscal 2008, were recorded in operating expenses to reserve for additional estimated costs under the leases. The remaining cash payments of $1.1 million as of June 30, 2008 related to the excess lease space charges are expected to be disbursed by fiscal 2011.

During fiscal 2005, the Celera group recorded pre-tax charges totaling $4.5 million related to its Paracel operations, which was acquired in fiscal 2000. Due to a shift in focus, Paracel was no longer deemed strategic to the overall business. These charges included a charge for severance and benefits costs. All cash payments related to these employee terminations were made as of June 30, 2006. Also, included in these charges was a charge for excess facility lease expenses for a lease that extends through fiscal 2011. During fiscal 2008, we made net cash payments of $0.7 million related to the excess lease space. The cash expenditures were funded by available cash. The remaining net cash expenditures related to the excess lease space of approximately $2.0 million are expected to be disbursed by fiscal 2011.

Asset dispositions and legal settlements

The following items have been recorded in the Consolidated Statements of Operations in asset dispositions and legal settlements.

Fiscal 2008

In fiscal 2008, the Applied Biosystems group recorded a $7.6 million pre-tax gain primarily related to a settlement and licensing agreement entered into with Stratagene Corporation and Agilent Technologies, Inc. (which acquired Stratagene), which resolved outstanding legal disputes with Stratagene.

Also in fiscal 2008, the Celera group recorded a $1.1 million pre-tax gain related to the settlement of a litigation matter associated with its former Online/Information Business, an information products and service business.

Fiscal 2007

In the fourth quarter of fiscal 2007, the Applied Biosystems group recorded a pre-tax benefit of $3.5 million from the receipt of past royalties from Bio-Rad Laboratories, Inc. under new and newly amended patent licenses. Also in fiscal 2007, the Applied Biosystems group recorded a $4.8 million pre-tax benefit related to the settlement of a patent infringement claim, a $3.0 million pre-tax benefit related to our collection from a third party of a portion of its liability relative to our settlement of a prior legal dispute, and a $9.1 million pre-tax charge related to a settlement agreement entered into with another company which resolved outstanding legal disputes with that company. The Celera group recorded a $2.4 million pre-tax benefit in fiscal 2007 related to the settlement of a litigation matter associated with the former Online/Information Business.

Fiscal 2006

In fiscal 2006, the Applied Biosystems group recorded a pre-tax charge of $35.0 million as a result of a settlement to resolve all outstanding legal disputes with Beckman Coulter regarding claims to some patented capillary electrophoresis and heated cover instrumentation technology. The Applied Biosystems group made the $35.0 million payment to Beckman Coulter in the fourth quarter of fiscal 2006 for rights to some Beckman Coulter technology and for the release of

Other Events Impacting Comparability

Revenue from the sales of small molecule programs

In fiscal 2007, the Celera group recorded $2.5 million in net revenues from the sale of a small molecule drug discovery and development program to Schering AG. The Celera group had recorded an initial $2.5 million in fiscal 2006 when the agreement for the sale of the program was executed. Additionally in fiscal 2006, the Celera group recorded $6.1 million in net revenues from the sales of other small molecule drug discovery and development programs, primarily to Pharmacyclics, Inc.

any and all claims of infringement relating to DNA sequencer and thermal cycler products. Commencing in July 2006, Beckman Coulter began making quarterly payments which will total $20.0 million over ten quarters to the Celera group for diagnostic rights to some of the Company' s technology.

Also in fiscal 2006, the Applied Biosystems group recorded a benefit and received the sum of $33.4 million related to a settlement agreement involving U.S. patent infringement claims brought by us against Bio-Rad and MJ Research, Inc. (acquired by Bio-Rad after the commencement of litigation.) The settlement also resolved litigation brought by Bio-Rad against us for patent and trademark infringement, and counterclaims by us against Bio-Rad.

Additionally in fiscal 2006, we recorded a $26.6 million pre-tax charge related to an award in an arbitration proceeding with Amersham Biosciences, now GE Healthcare, and a litigation matter. We recorded the pre-tax charge as follows: $25.9 million at the Applied Biosystems group and $0.7 million at the Celera group. We paid all amounts related to the arbitration matter in January 2006. The arbitration matter involved the interpretation of a license agreement relating to DNA sequencing reagents and kits. Amersham had alleged, among other things, that the Applied Biosystems group had underpaid royalties under the license agreement. The arbitrator awarded Amersham past damages based on an increase in royalty rates for some of its DNA sequencing enzymes and kits that contain those enzymes, plus interest, fees, and other costs. As a result of this decision, the Applied Biosystems group recorded a pre-tax charge of $23.5 million in fiscal 2006, $22.6 million of which was recorded in asset dispositions and legal settlements.

In fiscal 2006, the Applied Biosystems group recorded a pre-tax gain of $16.9 million from the sale of a vacant facility in Connecticut. This facility was previously used for manufacturing and administration.

Investments

In fiscal 2008, the Applied Biosystems group recorded pre-tax gains of $27.6 million, $25.0 million of which was recorded in the fourth quarter of fiscal 2008, in gains on investments, net from the sales of non-strategic minority equity investments. Also in fiscal 2008, the Celera group recorded a pre-tax charge of $3.1 million in gains on investments, net for an other-than-temporary impairment of a publicly traded non-strategic minority equity investment. The impairment charge resulted from a number of factors that were assessed, including the duration of the decline in market value, the financial condition, and future prospects for the investee. In

Tax items

Fiscal 2008

In the fourth quarter of fiscal 2008, the Celera group recorded a non-cash tax charge of $90.6 million to establish a valuation allowance against the Celera group' s deferred tax assets. As a result of the separation, the Celera group will no longer be a member of the Company' s consolidated return. Due to the Celera group' s post separation separate taxpayer status and history of losses, management determined that it was more likely than not that the net deferred tax assets distributed to the Celera group in conjunction with the separation will not be realized. Some of these assets are expected to expire in three to twelve years, if not used before then.

In fiscal 2008, we recorded net tax benefits of $8.9 million, primarily resulting from net benefits related to completed Internal Revenue Service ("IRS") and foreign audits and R&D tax credits. $9.6 million of tax benefits were recorded at the Applied Biosystems group, offset by a tax charge for R&D tax credits of $0.7 million recorded at the Celera group.

Also in fiscal 2008, the Applied Biosystems group recorded tax charges of $1.8 million primarily related to the recalculation of deferred tax assets as a result of a decrease in the statutory tax rate in Germany.

Fiscal 2007

In the fourth quarter of fiscal 2007, the Applied Biosystems group recorded a net tax benefit of $6.9 million primarily related to foreign tax settlements and a reduction of foreign valuation allowances. The valuation allowance release was due to management' s reassessment of the future realization of deferred tax assets based on revised forecasted foreign income. Also in fiscal 2007, we recorded tax benefits of $8.5 million, primarily resulting from a $6.1 million valuation allowance release. The valuation allowance release was due to management' s reassessment of the future realization of foreign tax credits. Tax benefits identified during the tax return preparation accounted for the remaining tax benefits of $2.4 million. $8.1 million of the tax benefits was recorded at the Applied Biosystems group and $0.4 million was recorded at the Celera group.

fiscal 2006, the Celera group recorded pre-tax gains of $7.6 million in gains on investments, net from the sale of non-strategic minority equity investments.

The Tax Relief and Health Care Act of 2006, enacted in December 2006, extended the R&D tax credit from January 1, 2006 through December 31, 2007. The Applied Biosystems group and the Celera group included the estimated benefit of the current year R&D tax credit in the fiscal 2007 estimated annual effective tax rate. In addition, the Celera group recorded a tax benefit of $1.0 million in fiscal 2007 related to the R&D tax credit generated between January 1, 2006 and June 30, 2006.

Also, in fiscal 2007, the Applied Biosystems group recorded a tax benefit of $8.8 million related to a reduction in the valuation allowance for German net operating loss carryforwards.

Fiscal 2006

In fiscal 2006, the Applied Biosystems group recorded a tax benefit of $13.5 million related to the resolution of transfer pricing matters in Japan. Additionally, the Applied Biosystems group recorded a net tax charge of $26.6 million related to repatriation of foreign earnings. Also in fiscal 2006, the Applied Biosystems group recorded tax benefits of $63.3 million related to a completed IRS exam, state valuation allowance reversal, and R&D credits. The IRS completed the audit of the Company for the fiscal years 1996 through 2003 and, as a result, the Applied Biosystems group recorded favorable adjustments of $32.2 million to existing tax liabilities. A net of federal tax $24.8 million increase in the net state deferred tax assets primarily related to a reduction in valuation allowance and the write-off of some state deferred tax assets. The reduction in the valuation allowance was due to management' s reassessment of the future realization of deferred tax assets based on revised forecasted taxable income which includes the impact of a change in the apportionment of income to California, a reduction in R&D spending, and increased revenues and profits from our worldwide operations. Also, the Company completed its assessment of fiscal years 2001 through 2004 R&D activities and, as a result, the Applied Biosystems group recorded a net benefit of $6.3 million for additional R&D credits.

Discussion of Applied Biosystems Inc.' s Consolidated Operations

Results of Operations – 2008 Compared with 2007

(Dollar amounts in millions)	2008	2007	% Increase/ (Decrease)
Net revenues	**$2,361.5**	$2,132.5	**10.7%**
Cost of sales	**999.1**	951.5	**5.0%**
Gross margin	**1,362.4**	1,181.0	**15.4%**
SG&A expenses	**714.0**	622.7	**14.7%**
R&D	**235.3**	254.0	**(7.4%)**
Amortization of purchased intangible assets	**17.6**	11.2	**57.1%**
Employee-related charges, asset impairments and other	**27.3**	10.3	**165.0%**
Asset dispositions and legal settlements	**(8.7)**	(4.6)	**89.1%**
Acquired research and development		114.3	**(100.0%)**
Operating income	**376.9**	173.1	**117.7%**
Gain on investments, net	**24.5**	0.2	
Interest income, net	**26.3**	43.2	**(39.1%)**

Other income (expense), net	**3.4**	6.8	**(50.0%)**
Income before income taxes	**431.1**	223.3	**93.1%**
Provision for income taxes	**217.3**	72.5	**199.7%**
Income from continuing operations	**$213.8**	$150.8	**41.8%**
Percentage of net revenues:			
Gross margin	**57.7%**	55.4%	
SG&A expenses	**30.2%**	29.2%	
R&D	**10.0%**	11.9%	
Operating income	**16.0%**	8.1%	
Effective income tax rate	**50.4%**	32.5%	

The following table summarizes the impact of the previously described events impacting comparability included in the financial results for fiscal 2008 and 2007:

(Dollar amounts in millions)	**2008**	2007
Income (charge) included in income before income taxes	**$ 5.9**	$(117.5)
Provision (benefit) for income taxes	**89.3**	(26.4)

Income from continuing operations increased for fiscal 2008 primarily due to higher net revenues and gross margin, and lower R&D expenses, partially offset by higher SG&A expenses and the previously described events impacting comparability. The net effect of foreign currency on our income from continuing operations was a benefit of approximately $32 million as compared to the prior year. Read our discussion of segments for information on their financial results.

Net revenues, which include the favorable effects of foreign currency, increased in fiscal 2008 compared with the prior year. The effect of foreign currency increased net revenues by approximately 4% during fiscal 2008. In addition, our fiscal 2008 net revenues increased primarily due to the acquisitions of BHL and Atria, higher

consumables sales at the Applied Biosystems group, and higher diagnostic-related licensing and royalty revenues at the Celera group.

The following table sets forth our revenue growth by geographic area for the fiscal year ended June 30, 2008:

	Reported Growth	Foreign Currency Effect	Operational Growth*
United States	10%		10%
Europe	10%	7%	3%
Asia Pacific [(a)]	11%	6%	5%
Other markets	17%	8%	9%
Total	11%	4%	7%
[(a)] Asia Pacific:			
Japan	*3%*	*8%*	*(5%)*
All other	*23%*	*4%*	*19%*

*Reported growth less impact of foreign currency.

Revenues in Europe increased primarily as a result of higher consumables sales, led by DNA sequencing consumables, TaqMan® Gene Expression Assay products, and sequence detection consumables. This growth was partially offset by lower sales of genetic analyzers.

The growth in revenues in Asia Pacific, other than Japan, was led by China and Australia. From a product perspective, revenues increased primarily due to higher sales of genetic

of approximately $41 million at the Celera group; the unfavorable impact of foreign currency of approximately $23 million; higher employee-related costs of approximately $22 million; regional investments, including additional headcount, of approximately $13 million to support growth primarily in Europe and China; and the reversal in fiscal 2007 of a $5 million accrual related to settled litigation, all at the Applied Biosystems group. This increase was partially offset by lower marketing and travel expenses of approximately $3 million at the Applied Biosystems group. Fiscal 2007 included approximately $5 million of integration costs related to Ambion at the Applied Biosystems group.

R&D expenses decreased for fiscal 2008 compared to fiscal 2007 primarily as a result of lower employee-related costs at the Applied Biosystems group, the termination in June 2007 of a U.S. Department of Defense contract awarded to the Applied Biosystems group, the timing of expenses at the Applied Biosystems group, and reduced proteomic-based target discovery and validation related activities at the Celera group, partially offset by investments in the SOLiD System program at the Applied Biosystems group.

Gain on investments, net in fiscal 2008 included sales of non-strategic minority equity investments.

Interest income, net decreased during fiscal 2008 compared to fiscal 2007 primarily due to interest expense incurred on our loans payable and lower average cash and cash equivalents and short-term investments in fiscal 2008, combined with lower average interest rates in fiscal 2008. The loans, which originated in fiscal 2008, were used to fund the accelerated repurchase of shares of Applied Biosystems stock, as described below.

The increase in the effective tax rate for fiscal 2008 compared to fiscal 2007 was primarily due to the previously described events impacting comparability, including the events described under tax items. An analysis of the differences between the federal statutory income tax rate and the effective income tax rate is provided in Note 5 to our consolidated financial statements.

analyzers, API triple quad and Q TRAP® systems, and human identification consumables.

Declining revenues in Japan were primarily the result of lower sales of API triple quad and Q TRAP systems which were partially offset by the introduction of the SOLiD™ System and increases in sales of genetic analyzers, human identification consumables and DNA Sequencing consumables in the region.

In the U.S., higher service revenues from BHL, higher royalty and license revenues, higher sales of TaqMan Gene Expression Assay products, sales of SOLiD Systems and higher sales of API triple quad and Q TRAP systems were partially offset by lower sales of genetic analyzers, Real-Time PCR instruments, DNA sequencing consumables, and a U.S. Department of Defense contract for an instrument system, which was included in fiscal 2007.

The higher gross margin percentage in fiscal 2008 compared to fiscal 2007 was primarily from lower enzyme costs from vendors and the favorable impact of foreign currency, all at the Applied Biosystems group, and higher margin services and products due to BHL and Atria and higher licensing and royalty revenues at the Celera group. Partially offsetting these benefits was competitive pricing and higher inventory-related costs in the Mass Spectrometry product category at the Applied Biosystems group.

SG&A expenses for fiscal 2008 increased over the prior fiscal year primarily due to: the inclusion of BHL expenses

Results of Operations – 2007 Compared with 2006

(Dollar amounts in millions)	2007	2006	% Increase/ (Decrease)
Net revenues	$2,132.5	$1,949.4	9.4%
Cost of sales	951.5	881.2	8.0%
Gross margin	1,181.0	1,068.2	10.6%
SG&A expenses	622.7	584.5	6.5%
R&D	254.0	271.4	(6.4%)
Amortization of purchased intangible assets	11.2	5.9	89.8%
Employee-related charges, asset impairments and other	10.3	26.6	(61.3%)
Asset dispositions and legal settlements	(4.6)	11.2	(141.1%)
Acquired research and development	114.3	3.4	
Operating income	173.1	165.2	4.8%
Gain on investments, net	0.2	7.6	(97.4%)
Interest income, net	43.2	37.1	16.4%
Other income (expense), net	6.8	5.3	28.3%

sales of consumables products, and in the Mass Spectrometry product category, led by sales of the API triple quad, Q TRAP, and QSTAR® systems and increased instrument service contract revenue. Higher sales of DNA sequencing consumables and increased instrument service contract revenue contributed to the growth in the DNA Sequencing product category.

Net revenues decreased at the Celera group, primarily due to lower revenues from the sales of small molecule drug discovery and development programs and lower equalization payments from Abbott in fiscal 2007. Additionally, revenues in fiscal 2006 included the Online/ Information and Paracel businesses. Partially offsetting these decreases were higher diagnostic-related licensing and royalty revenues, including licensing revenue from Beckman Coulter, and higher product sales in fiscal 2007.

The following table sets forth our revenue growth by geographic area for the fiscal year ended June 30, 2007:

	Reported Growth	Foreign Currency Effect	Operational Growth*
United States	4%		4%
Europe	15%	5%	10%
Asia Pacific [(a)]	9%		9%
Other markets	22%	2%	20%
Total	9%	2%	7%

[(a)] Asia Pacific:

Income before income taxes	223.3	215.2	3.8%
Provision for income taxes	72.5	2.7	
Income from continuing operations	$ 150.8	$ 212.5	(29.0%)
Percentage of net revenues:			
Gross margin	55.4%	54.8%	
SG&A expenses	29.2%	30.0%	
R&D	11.9%	13.9%	
Operating income	8.1%	8.5%	
Effective income tax rate	32.5%	1.3%	

The following table summarizes the impact of the previously described events impacting comparability included in the financial results for fiscal 2007 and 2006:

(Dollar amounts in millions)	2007	2006
Charge included in income before income taxes	$(117.5)	$(24.9)
Benefit for income taxes	(26.4)	(57.3)

Income from continuing operations decreased for fiscal 2007 primarily due to the previously described events impacting comparability, in particular the acquired research and development charge and the events described under tax items, and higher SG&A expenses, partially offset by higher net revenues and lower R&D expenses. The net effect of foreign currency on our income from continuing operations was a benefit of approximately $21 million as compared to the prior year.

Net revenues, which include the favorable effects of foreign currency, increased in fiscal 2007 compared with the prior

Japan	*2%*	*(1%)*	*3%*
All other	*21%*	*1%*	*20%*

*Reported growth less impact of foreign currency.

Revenues in Europe increased primarily as a result of sales of DNA sequencing consumables, Ambion products, low to medium throughput genetic analyzers, API triple quad systems, Q TRAP systems, and TaqMan Gene Expression Assay products.

Sales in the U.S. increased primarily due to sales of Ambion products, API triple quad systems, a U.S. Department of Defense contract for an instrument system, Real-Time PCR consumables, human identification consumables, and TaqMan Gene Expression Assay products. This growth was partially offset by lower sales of genetic analyzers.

Revenues in Asia Pacific, other than Japan, increased due to higher sales of low throughput real-time PCR instruments, Q TRAP systems, human identification consumables, DNA Sequencing consumables, and Ambion products.

The higher gross margin percentage in fiscal 2007 compared to fiscal 2006 was primarily due to improved vendor pricing related to enzymes, the favorable effects of foreign currency, higher contract revenues, and improved service margins, all at the Applied Biosystems group, partially offset by increased royalty costs as a result of recent legal settlements and decreased royalty revenues

year. Revenues for fiscal 2007 included a favorable impact of approximately 2% related to the Ambion acquisition, which was effective March 1, 2006. The effect of foreign currency increased net revenues by approximately 2% during fiscal 2007.

Net revenues increased at the Applied Biosystems group, driven by strength in the Real-Time PCR/Applied Genomics product category, primarily due to higher

due in part to the settlement with Bio-Rad, both at the Applied Biosystems group. The improvement in service margins at the Applied Biosystems group was primarily driven by improved efficiency of the field service organization and growth in the volume of service contracts.

SG&A expenses for fiscal 2007 increased over the prior fiscal year primarily due to operating and integration costs of approximately $18 million related to Ambion, higher employee-related costs of approximately $17 million, which included increases related to sales commissions, and strategic investments of approximately $11 million to support growth in China, North America, and Europe, all at the Applied Biosystems group. This increase was partially offset by lower legal expenses of approximately $14 million, including a reversal of a $5 million accrual related to settled litigation recorded in fiscal 2006.

R&D expenses decreased for fiscal 2007 compared to fiscal 2006 primarily as a result of the Celera group' s decision to exit small molecule drug discovery and development as well as a reduction in costs incurred at the Applied Biosystems group in fiscal 2006 for R&D projects that were either completed or not continued in fiscal 2007. This decrease was partially offset by costs associated with the development of an advanced genetic analysis platform related to the APG acquisition, increased costs related to Ambion, and the U.S. Department of Defense contract awarded to the Applied Biosystems group in August 2006.

Interest income, net increased during fiscal 2007 compared to fiscal 2006 primarily due to higher average interest rates, partially offset by lower average cash and cash equivalents and short-term investments. The lower cash and cash equivalents and short-term investments were primarily the result of share repurchases in fiscal 2007, the acquisition of Ambion in March 2006, and the acquisition of APG in July 2006.

The increase in the effective tax rate for fiscal 2007 was primarily due to the previously described events impacting comparability, including the events described under tax items.

Applied Biosystems Inc.

Discussion of Consolidated Financial Resources and Liquidity

entered into a $100 million unsecured term loan agreement with Bank of America, N.A. that matures on September 4, 2008. Upon the satisfaction of various conditions, we have the option to extend the maturity date on this agreement to September 4, 2010. There was $100 million outstanding under this agreement at June 30, 2008. Subsequent to June 30, 2008, we repaid $50 million of the amount outstanding. Both the revolving credit agreement and the term loan agreement require that we maintain a debt to total capital ratio, as defined in each agreement, of not more than 0.50:1:00. See Note 10 to our consolidated financial statements for more information on our loans payable. The amounts borrowed under these agreements were used to fund the repurchase of shares of Applied Biosystems stock and were allocated entirely to the Applied Biosystems group. Cash provided by operating activities and our debt borrowings have been our primary source of funds over the last three fiscal years.

In April 2007, we announced that our board of directors authorized the repurchase of up to 10% of the outstanding shares of Applied Biosystems stock. This authorization has no time restrictions and delegates to management the discretion to purchase shares at times and prices it deems appropriate through open market purchases, privately negotiated transactions, tender offers, exchange offers, or otherwise. We repurchased 3.4 million shares of Applied Biosystems stock for approximately $100 million during the fourth quarter of fiscal 2007 under this authorization. Subsequently, on August 8, 2007, we announced that our board of directors increased this authorization to $1.2 billion in the aggregate, including the $100 million already repurchased as discussed above, which at market prices on that date represented approximately 20% of the outstanding shares of Applied Biosystems stock. In accordance with this authorization, we entered into an agreement with Morgan Stanley in August 2007 for the accelerated repurchase of $600 million of Applied Biosystems stock. During fiscal 2008, we paid Morgan Stanley approximately $602 million for this transaction, of which $327 million was funded by cash and $275 million was funded by bank loans. In fiscal 2008, we repaid $175 million of these bank loans. In October 2007, 16 million shares of Applied Biosystems stock were delivered to us under this agreement. In January 2008, Morgan Stanley exercised its option to settle the accelerated share

We had cash and cash equivalents and short-term investments of $876.7 million at June 30, 2008, and $1,056.0 million at June 30, 2007. We maintain a $250 million unsecured revolving credit agreement with four banks that matures on May 25, 2012. This amount was increased from $200 million effective August 27, 2007, at our request in accordance with the terms of the agreement. There were no borrowings outstanding under this agreement at June 30, 2008. On August 27, 2007, we repurchase transaction prior to its maturity and delivered to us an additional 1.9 million shares of Applied Biosystems stock. See Note 7 to our consolidated financial statements for more information on the accelerated share repurchase. These authorizations supplement the board' s standing authorization to replenish shares of Applied Biosystems stock issued under our employee stock benefit plans. Under the terms of the merger agreement with Invitrogen, we are generally prohibited from repurchasing any shares of Applied Biosystems stock without the prior agreement of Invitrogen.

The discussion in this section below does not give effect to the indebtedness to be incurred in connection with the pending merger with Invitrogen and is based on our current liquidity needs and operations.

We believe that existing funds, cash generated from operations, and existing sources of debt financing are more than adequate to satisfy our normal operating cash flow needs, planned capital expenditures, acquisitions, and dividends for the next twelve months and for the foreseeable future.

(Dollar amounts in millions)	**2008**	2007
Cash and cash equivalents	**$589.0**	$323.2
Short-term investments	**287.7**	732.8
Total cash and cash equivalents and short-term investments	**$876.7**	$1,056.0
Total debt	**100.1**	
Working capital	**964.2**	1,205.5
Debt to total capitalization	**4.6%**	

The overall decrease of cash and cash equivalents and short-term investments for fiscal 2008 from June 30, 2007 resulted from cash expenditures for the accelerated share repurchase transaction and the acquisitions of BHL and Atria, partially offset by cash generated from operating activities. Cash and cash equivalents increased for fiscal 2008 from June 30, 2007, as cash generated from operating activities, proceeds from bank loans, net of repayments, sales and maturities of investments and other assets, net of purchases, and stock issuances exceeded the payment to Morgan Stanley for the accelerated share repurchase transaction, cash expenditures for the acquisitions of BHL and Atria, capital spending and dividends paid.

cash in accounts receivable was primarily due to higher sales volume in fiscal 2008, partially offset by the timing of the collection of licensing and milestone payments at the Celera group recorded in fiscal 2007, as well as an increase in receivables related to both royalty revenues and the sale of BHL services and Atria products. The higher use of cash in inventories is primarily related to the build up of both instruments and consumables for the SOLiD System. Within prepaid expenses and other assets, the higher source of cash primarily resulted from the timing of royalty receipts, collection of value-added tax receivables, and dividends and distributions related to our joint venture activities. Partially offsetting these sources of cash were higher payments by the Applied Biosystems group in fiscal 2008 under license and collaboration agreements, including approximately $37 million made in the second quarter of fiscal 2008. The higher use of cash in accounts payable and other liabilities resulted primarily from the timing of royalty payments, partially offset by tax refunds received in fiscal 2008 primarily due to the completion of the IRS and foreign tax audits, the timing of vendor payments at the Applied Biosystems group, and lower severance and other restructuring-related payments at the Celera group in fiscal 2008. The Applied Biosystems group's days sales outstanding was 58 days at June 30, 2008 and 2007 and 54 days at June 30, 2006. Successful collection efforts in fiscal 2008 offset the higher sales volume. The growth in days sales outstanding at June 30, 2007 over the prior year was driven primarily by higher sales volume and increased royalty receivables. Inventory on hand was 3.3 months at June 30, 2008, compared to 2.7 months at June 30, 2007.

The increase in net cash provided from operating activities for fiscal 2007 compared to fiscal 2006 resulted primarily from higher income-related cash flows and a lower use of cash in accounts payable and other liabilities, partially offset by a higher use of cash in accounts receivable and prepaid expenses and other assets. The lower use of cash in accounts payable and other liabilities resulted primarily from a voluntary contribution of approximately $31 million to our pension plans in fiscal 2006, the payment of approximately $58 million related to the previously discussed Amersham and Beckman Coulter legal matters also in fiscal 2006, and lower severance and excess lease payments at the Applied Biosystems group in fiscal 2007, partially offset by the timing

Cash and cash equivalents decreased in fiscal 2007 from June 30, 2006, as cash expenditures for the acquisition of APG, share repurchases, the purchase of capital and other assets, the purchase of available-for-sale investments, net of sales and maturities, and the payment of dividends, exceeded cash generated from operating activities and proceeds from stock issuances.

Net cash flows of continuing operations for the fiscal years ended June 30 were as follows:

(Dollar amounts in millions)	**2008**	2007	2006
Net cash from operating activities	**$503.0**	$343.0	$278.8
Net cash from investing activities	**222.1**	(406.8)	(159.4)
Net cash from financing activities	**(451.8)**	(63.3)	(461.5)
Effect of exchange rate changes on cash	**(20.4)**	16.2	(3.0)

Operating activities

The increase in net cash provided from operating activities for fiscal 2008 compared to fiscal 2007 resulted primarily from higher income-related cash flows and a higher source of cash in accounts receivable, partially offset by a higher use of cash in inventories. The higher source of vendor payments at the Applied Biosystems group. At the Celera group, working capital benefited from the decisions to exit small molecule drug discovery and development in fiscal 2006 and the Online/Information business in fiscal 2005. The higher use of cash in accounts receivables at the Applied Biosystems group was due to increased sales. The higher use of cash in prepaid expenses and other assets in fiscal 2007 primarily resulted from the timing of the receipts of dividends and distributions related to the Applied Biosystems group' s joint venture activities, partially offset by the collection of non-trade receivables also related to joint venture activities in fiscal 2007.

Investing activities

Capital expenditures, net of disposals, were $53.3 million in fiscal 2008, $62.6 million in fiscal 2007, and $46.1 million in fiscal 2006. Fiscal 2008 included expenditures for a manufacturing execution system project, continued facility renovations in Foster City, California, and purchases of testing, laboratory, computer and production equipment at the Applied Biosystems group. The manufacturing execution system project is expected to enhance turnaround time from when an order is placed, allow faster new product introduction, and improve the ability to track work orders. Fiscal 2007 included expenditures for facility renovations in Foster City, California, the opening of new application support centers in Shanghai, China, and Foster City, California, and purchases of computer, production and laboratory equipment at the Applied Biosystems group. Fiscal 2006 included expenditures for the development of, and enhancements to, the Applied Biosystems Portal of approximately $8 million. Additionally, fiscal 2006 capital expenditures included purchases of production equipment, testing and laboratory equipment, computer equipment, and computer software and licenses at the Applied Biosystems group. Fiscal 2008 capital expenditures at the Celera group consisted primarily of leasehold improvements at BHL' s laboratory and 4myheart Centers. Fiscal 2007 and 2006 capital expenditures at the Celera group consisted of equipment purchases and leasehold improvements, the majority of which related to our diagnostics business.

Fiscal 2008 included lower proceeds from sales and maturities of and lower purchases of available for sale investments. In fiscal 2007, purchases exceeded the proceeds received from the sales and maturities of available-for-sale investments. In fiscal 2006 and 2005, cash was generated from the sales and maturities, net of purchases, of available-for-sale investments. In October 2007, we acquired BHL and Atria for approximately $214 million, including transaction costs and net of cash acquired. In July 2006, we acquired APG for approximately $121 million, including transaction costs, and in March 2006, we acquired Ambion for approximately $279 million, including transaction costs. These acquisitions are described in Note 3 to our consolidated financial statements. In fiscal 2008, the Applied Biosystems group sold non-strategic minority equity investments and an airplane and received net proceeds of

Financing activities

During fiscal 2008, we paid Morgan Stanley approximately $602 million for the accelerated share repurchase transaction, of which $275 million was funded by bank loans and the balance with cash. In October 2007, 16 million shares of Applied Biosystems stock were delivered to us under this transaction. In January 2008, Morgan Stanley exercised its option to settle the accelerated share repurchase transaction prior to its maturity and delivered to us an additional 1.9 million shares of Applied Biosystems stock. During fiscal 2008, we borrowed $175 million under our $250 million unsecured revolving credit agreement and $100 million under our unsecured term loan agreement and we repaid $175 million of these borrowings. In connection with the acquisition of BHL, we assumed approximately $10.8 million of floating and fixed rate debt, of which $10.7 million was repaid in fiscal 2008. Fiscal 2007 included four dividend payments on Applied Biosystems stock compared to three payments in fiscal 2006 due to the timing of the payment dates. We repurchased the following shares of Applied Biosystems stock during the fiscal years ended June 30:

(Dollars and shares in millions)	Number of Shares Repurchased	Purchase Price
2008	**17.9**	**$601.5**
2007	5.2	168.6
2006	24.5	601.9

Contractual Obligations

Our significant contractual obligations at June 30, 2008, and the anticipated payments under these obligations were as follows:

	Payments by Period				
(Dollar amounts in millions)	Total	2009	2010 - 2011	2012 - 2013	Thereafter

approximately $46 million, the majority of which was received in the fourth quarter of fiscal 2008. In fiscal 2006, we sold a vacant facility in Connecticut and our San Jose, California facility and received net proceeds of approximately $26 million. In fiscal 2006, the Celera group received proceeds of $9.5 million primarily related to the sale of non-strategic minority equity investments.

Minimum operating lease payments [a]	**$139.8**	**$ 42.2**	**$54.6**	**$20.8**	**$22.2**
Purchase obligations [b]	**101.7**	**74.6**	**23.1**	**2.8**	**1.2**
Other long-term liabilities [c]	**34.8**	**2.9**	**2.9**	**2.1**	**26.9**
Total [d]	**$276.3**	**$119.7**	**$80.6**	**$25.7**	**$50.3**

(a) Refer to Note 11 to our consolidated financial statements for further information.

(b) Purchase obligations are entered into with various vendors in the normal course of business, and include commitments related to inventory, capital expenditures, R&D arrangements and collaborations, license agreements, and other services.

(c) We have excluded deferred revenues as they have no impact on our future liquidity. We have also excluded deferred tax liabilities and obligations connected with our pension and postretirement plans and other foreign employee-related plans as they are not contractually fixed as to timing and amount. See Note 6 to our consolidated financial statements for more information on these plans.

(d) Included in the table are obligations related to the Celera group which were assumed by Celera Corporation in connection with the Celera separation on July 1, 2008. The Celera group' s portion of the above obligations was $9.0 million for fiscal 2009, $14.2 million for fiscal 2010-2011, $4.3 million for fiscal 2012-2013, and $9.8 million thereafter.

The Company adopted FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" on July 1, 2007. As of June 30, 2008, the Company had approximately $32 million of unrecognized tax benefits. This amount represents the tax benefits associated with various tax positions taken, or expected to be taken, on domestic and international tax returns that have not been recognized in our financial statements due to uncertainty regarding their resolution. This amount has been excluded from the contractual obligations table because the Company is unable to reasonably predict the ultimate amount or timing of future tax payments.

For additional information regarding our financial obligations and commitments, see Notes 10 and 11 to our consolidated financial statements.

Discussion of Segments' Operations, Financial Resources and Liquidity

Applied Biosystems Group

Results of Operations– 2008 Compared with 2007

(Dollar amounts in millions)	**2008**	2007	**% Increase/ (Decrease)**
Net revenues	**$2,224.7**	$2,093.5	**6.3%**
Cost of sales	**960.0**	936.2	**2.5%**
Gross margin	**1,264.7**	1,157.3	**9.3%**
SG&A expenses	**639.3**	593.0	**7.8%**
R&D	**196.1**	203.9	**(3.8%)**
Amortization of purchased intangible assets	**10.5**	11.2	**(6.3%)**

The following table summarizes the impact of the previously described events impacting comparability included in the financial results for fiscal 2008 and 2007:

(Dollar amounts in millions)	**2008**	2007
Income (charge) included in income before income taxes	**$14.8**	$(112.1)
Benefit for income taxes	**(0.6)**	(23.0)

Income from continuing operations increased in fiscal 2008 compared to the prior year primarily due to the previously described events impacting comparability, higher net revenues and gross margin and lower R&D expenses, partially offset by higher SG&A expenses. The net effect of foreign currency on income from continuing operations was a benefit of approximately $32 million in fiscal 2008 as compared to the prior fiscal year.

Revenues – overall summary

The following table sets forth the Applied Biosystems group's revenues by product categories for the fiscal years ended June 30:

(Dollar amounts in millions)	**2008**	2007	**% Increase/ (Decrease)**
DNA Sequencing	**$573.9**	$557.6	**3%**
% of total revenues	***26%***	*27%*	
Real-Time PCR/Applied Genomics	**803.4**	704.6	**14%**
% of total revenues	***36%***	*34%*	
Mass Spectrometry	**539.2**	525.4	**3%**

Employee-related charges, asset impairments and other	**20.3**		
Asset dispositions and legal settlements	**(7.6)**	(2.2)	**245.5%**
Acquired research and development		114.3	**(100.0%)**
Operating income	**406.1**	237.1	**71.3%**
Gain on investments, net	**27.6**	0.2	
Interest income, net	**8.6**	15.4	**(44.2%)**
Other income (expense), net	**3.3**	6.3	**(47.6%)**
Income before income taxes	**445.6**	259.0	**72.0%**
Provision for income taxes	**129.0**	88.1	**46.4%**
Income from continuing operations	**$316.6**	$170.9	**85.3%**
Percentage of net revenues:			
Gross margin	**56.8%**	55.3%	
SG&A expenses	**28.7%**	28.3%	
R&D	**8.8%**	9.7%	
Operating income	**18.3%**	11.3%	
Effective income tax rate	**28.9%**	34.0%	

% of total revenues	***24%***	*25%*	
Core PCR & DNA Synthesis	**199.8**	190.5	**5%**
% of total revenues	***9%***	*9%*	
Other Product Lines	**108.4**	115.4	**(6%)**
% of total revenues	***5%***	*5%*	
Total	**$2,224.7**	$2,093.5	**6%**

The effect of foreign currency increased net revenues in fiscal 2008 by approximately 4% as compared to the prior year.

Real-Time PCR/Applied Genomics:

Revenues in the Real-Time PCR/Applied Genomics product category increased primarily due to higher sales of consumable products, including TaqMan Gene Expression Assay products, human identification kits used in forensics, sequence detection consumables, and RNA kits and reagents. Sales of low end Real-Time PCR instruments also contributed to the product category growth.

Revenue from other sources increased for fiscal 2008 compared to fiscal 2007 primarily due to higher royalty and license revenues, including a real-time PCR instrument license granted in the first quarter of fiscal 2008 as part of a patent infringement settlement related to a real-time instrument patent, and higher service contract revenues.

DNA Sequencing:

Revenues in the DNA Sequencing product category increased due to higher consumables sales, including CE, or capillary electrophoresis, consumables, and higher instrument service contract revenues, partially offset by lower instrument sales. Decreased sales of genetic analyzers were partially offset by sales of the SOLiD System. During the third quarter of fiscal 2008, the Applied Biosystems group recognized its first revenues from sales of the SOLiD next-generation sequencing system, and in May 2008, the Applied Biosystems group began shipping SOLiD 2.0, a major upgrade to the initial platform.

Mass Spectrometry:

Revenues in the Mass Spectrometry product category increased in fiscal 2008 due primarily to significantly higher instrument service contract revenues and growth in the sales of the API triple quad and Q TRAP systems. Partially offsetting these increases were lower sales of the QSTAR® and MALDI TOF/TOF™ systems. The QSTAR and MALDI TOF/TOF systems are used primarily in proteomics research, while the Q TRAP and API triple quad systems are used predominantly in pharmaceutical, applied market, and quantitative proteomic applications.

Mass Spectrometry product category revenues were believed to be affected by cautious spending by pharmaceuticals companies, which was not entirely offset by strength among the contract research organizations ("CROs"), and competitive offerings in proteomics.

Other:

Revenues in the Other Product Lines product category decreased primarily due to the termination in June 2007 of a U.S. Department of Defense contract, revenues from which were included in fiscal 2007.

Revenue by sources

The following table sets forth the Applied Biosystems group' s revenues by sources for the fiscal years ended June 30:

(Dollar amounts in millions)	**2008**	2007	**% Increase/ (Decrease)**
Instruments	**$891.1**	$889.3	**0.2%**
Consumables	**934.0**	842.0	**10.9%**
Other sources	**399.6**	362.2	**10.3%**
Total	**$2,224.7**	$2,093.5	**6.3%**

Instruments

For fiscal 2008, instrument revenues were relatively flat as compared to the prior year. Sales of the SOLiD System in the DNA Sequencing product category, the new Veriti™ thermal cycler in the Core PCR & DNA Synthesis product category, and higher sales of low end Real-Time PCR instruments and the API triple quad and Q TRAP systems in the Mass Spectrometry product category were almost entirely offset by lower sales of genetic analyzers in the DNA Sequencing product category and the QSTAR and MALDI TOF/TOF systems in the Mass Spectrometry product category.

Consumables

The increase in consumables sales in fiscal 2008 primarily reflected the strength of Real-Time PCR/Applied Genomics consumable sales. These sales increased primarily as a result of higher sales of TaqMan Gene Expression Assay products, human identification kits used in forensics, sequence detection consumables, and RNA kits and reagents. Also, favorably impacting consumables revenues were higher sales of CE consumables in the DNA Sequencing product category.

Other sources

Revenues from other sources, which includes service and support, royalties, licenses, and contract research, increased for fiscal 2008 due to higher service contract revenues, particularly in the Mass Spectrometry and Real-Time PCR/ Applied Genomics product categories, and higher royalty and license revenues, in part due to a patent infringement settlement.

Revenues by geographic area

The following table sets forth the Applied Biosystems group' s revenues by geographic area for the fiscal years ended June 30:

(Dollar amounts in millions)	2008	2007	Reported Growth	Foreign Currency Effect	Operational Growth*
United States	**$895.8**	$894.3	**–%**		**–%**
Europe	**810.7**	738.6	**10%**	**7%**	**3%**
Asia Pacific [(a)]	**413.7**	371.4	**11%**	**6%**	**5%**
Other markets	**104.5**	89.2	**17%**	**8%**	**9%**
Total	**$2,224.7**	$2,093.5	**6%**	**4%**	**2%**
[(a)] Asia Pacific:					
Japan			***2%***	***8%***	***(6%)***
All other			***23%***	***4%***	***19%***

*Reported growth less impact of foreign currency.

Revenues in Europe increased primarily as a result of higher consumables sales, led by DNA sequencing consumables, TaqMan Gene Expression Assay products, and sequence detection consumables. This growth was partially offset by lower sales of genetic analyzers.

The growth in revenues in Asia Pacific, other than Japan, was led by China and Australia. From a product perspective, revenues increased primarily due to higher sales of genetic

million to support growth primarily in Europe and China; and the reversal in the first quarter of fiscal 2007 of a $5 million accrual related to settled litigation. This increase was partially offset by lower marketing and travel expenses of approximately $3 million. Additionally, fiscal 2007 included approximately $5 million of integration costs related to Ambion.

R&D expenses decreased in fiscal 2008 from the prior year primarily as a result of lower employee-related costs, the termination in June 2007 of a U.S. Department of Defense contract, and the timing of expenses, partially offset by investments in the SOLiD System program.

Gain on investments, net in fiscal 2008 included sales of non-strategic minority equity investments.

Interest income, net decreased during fiscal 2008 compared to the prior year primarily due to a combination of interest expense incurred on our loans payable and lower average interest rates on our cash and cash equivalents and short-term investments, which were partially offset by higher average cash and cash equivalents and short-term investments. The loans, which originated in fiscal 2008, were used to fund the accelerated repurchase of shares of Applied Biosystems stock, as described below.

Other income (expense), net decreased in fiscal 2008 compared to fiscal 2007 primarily due to lower income from our foreign currency risk management program.

The decrease in the effective tax rate for fiscal 2008 compared to fiscal 2007 was primarily due to the previously described events impacting comparability, including the events described under tax items.

analyzers, API triple quad and Q TRAP systems, and human identification consumables.

Declining revenues in Japan were primarily the result of lower sales of API triple quad and Q TRAP systems which were partially offset by the introduction of the SOLiD System and increases in sales of genetic analyzers, human identification consumables and DNA Sequencing consumables in the region.

In the U.S., higher royalty and license revenues, higher sales of TaqMan Gene Expression Assay products, sales of SOLiD Systems and higher sales of API triple quad and Q TRAP systems were almost entirely offset by lower sales of genetic analyzers, Real-Time PCR instruments, DNA sequencing consumables, and a U.S. Department of Defense contract for an instrument system, which was included in fiscal 2007.

Gross margin, as a percentage of net revenues, increased for fiscal 2008 over the prior year primarily due to lower enzyme costs from vendors and the favorable impact of foreign currency. Partially offsetting these benefits were competitive pricing and higher inventory-related costs in the Mass Spectrometry product category. Service margin was lower in fiscal 2008 compared to the prior year due to product mix.

SG&A expenses for fiscal 2008 increased compared to the prior year primarily due to the unfavorable impact of foreign currency of approximately $23 million; higher employee-related costs of approximately $22 million, particularly in sales and marketing; regional investments, including additional headcount, of approximately $13

Results of Operations – 2007 Compared with 2006

(Dollar amounts in millions)	2007	2006	% Increase/ (Decrease)
Net revenues	$2,093.5	$1,911.2	9.5%
Cost of sales	936.2	866.4	8.1%
Gross margin	1,157.3	1,044.8	10.8%
SG&A expenses	593.0	548.4	8.1%
R&D	203.9	180.3	13.1%
Amortization of purchased intangible assets	11.2	4.8	133.3%
Employee-related charges, asset impairments and other		0.4	(100.0%)
Asset dispositions and legal settlements	(2.2)	10.5	(121.0%)
Acquired research and development	114.3	3.4	
Operating income	237.1	297.0	(20.2%)
Gain on investments, net	0.2		
Interest income, net	15.4	14.7	4.8%
Other income (expense), net	6.3	5.5	14.5%

Revenues – overall summary

The following table sets forth the Applied Biosystems group's revenues by product categories for the fiscal years ended June 30:

(Dollar amounts in millions)	2007	2006	% Increase/ (Decrease)
DNA Sequencing	$557.6	$539.9	3%
% of total revenues	*27%*	*29%*	
Real-Time PCR/Applied Genomics	704.6	600.4	17%
% of total revenues	*34%*	*31%*	
Mass Spectrometry	525.4	465.3	13%
% of total revenues	*25%*	*24%*	
Core PCR & DNA Synthesis	190.5	198.4	(4%)
% of total revenues	*9%*	*10%*	
Other Product Lines	115.4	107.2	8%
% of total revenues	*5%*	*6%*	
Total	$2,093.5	$1,911.2	10%

Revenues for fiscal 2007 included a favorable impact of approximately 2% related to the Ambion acquisition, which was effective March 1, 2006. The effect of foreign currency

Income before income taxes	259.0	317.2	(18.3%)
Provision for income taxes	88.1	42.1	109.3%
Income from continuing operations	$170.9	$275.1	(37.9%)
Percentage of net revenues:			
Gross margin	55.3%	54.7%	
SG&A expenses	28.3%	28.7%	
R&D	9.7%	9.4%	
Operating income	11.3%	15.5%	
Effective income tax rate	34.0%	13.3%	

The following table summarizes the impact of the previously described events impacting comparability included in the financial results for fiscal 2007 and 2006:

(Dollar amounts in millions)	2007	2006
Charge included in income before income taxes	$(112.1)	$(14.3)
Benefit for income taxes	(23.0)	(54.0)

Income from continuing operations decreased in fiscal 2007 compared to the prior year primarily due to the previously described events impacting comparability, in particular the acquired research and development charge and the events described under tax items, and higher operating expenses, partially offset by higher net revenues. The net effect of foreign currency on income from continuing operations was a benefit of approximately $21 million in fiscal 2007 as compared to the prior fiscal year.

increased net revenues in fiscal 2007 by approximately 2% as compared to the prior year.

Real-Time PCR/Applied Genomics:

Revenues in the Real-Time PCR/Applied Genomics product category increased primarily due to higher sales of consumables products, largely due to the acquisition of Ambion. Sales of TaqMan Gene Expression Assay products used in academic, clinical research and agricultural biotechnology settings, sequence detection systems consumables, human identification kits used in forensics, and low-throughput Real-Time PCR instruments also contributed to the product category growth.

Real-Time PCR continued to grow in all sectors as an application for both genotyping and gene expression. On the instrument side, the category grew in quality and safety testing applications within the applied markets, especially in food and environmental testing. Ambion revenues continued to increase above the market growth rate for RNA reagents.

Mass Spectrometry:

Mass Spectrometry revenue growth for fiscal 2007 was led by sales of API triple quad, Q TRAP, and QSTAR systems, as well as increased instrument service contract revenue. We believe public health and private industry laboratories adopted high-performance triple quad Mass Spectrometry systems to meet stricter regulations for food, forensics, and environmental testing. Regulatory changes were driven by increased public awareness of safety issues. Demand for instruments was also driven by traditional pharmaceutical and CRO customers.

DNA Sequencing:

Revenues in the DNA Sequencing product category increased due to higher sales of DNA sequencing consumables and instrument service contract revenue. Our DNA Sequencing business grew modestly in fiscal 2007 after four years of consecutive declines. We believe that the usage of CE technology remained, and will continue to remain, vital for applications such as medical sequencing and forensics, as well as newer applications including DNA methylation studies. During fiscal 2007, we shipped DNA sequencers to more than 50 new forensics laboratories in China and Russia, and we expect continuing reagent sales related to these shipments as well as additional system shipments in fiscal 2008.

Consumables growth was driven by the increased use of consumables from existing customers.

Revenue by sources

The following table sets forth the Applied Biosystems group' s revenues by sources for the fiscal years ended June 30:

(Dollar amounts in millions)	2007	2006	% Increase/ (Decrease)
Instruments	$889.3	$836.3	6.3%
Consumables	842.0	734.6	14.6%
Other sources	362.2	340.3	6.4%
Total	$2,093.5	$1,911.2	9.5%

Instruments

For fiscal 2007, instrument revenues increased as compared to the prior year primarily due to higher sales in both the Mass Spectrometry and Real-Time PCR/Applied Genomics product

Other sources

Revenues from other sources, which included service and support, royalties, licenses, and contract research, increased for fiscal 2007 due to higher service and support and contract research revenues, which were partially offset by lower royalty and licensing revenues in part due to the Bio-Rad settlement in fiscal 2006. Contract research revenues for fiscal 2007 included a U.S. Department of Defense contract for an instrument system that was terminated in June 2007 for the convenience of the government.

Revenues by geographic area

The following table sets forth the Applied Biosystems group' s revenues by geographic area for the fiscal years ended June 30:

(Dollar amounts in millions)	2007	2006	Reported Growth	Foreign Currency Effect	Operational Growth*
United States	$894.3	$855.1	5%		5%
Europe	738.6	643.6	15%	5%	10%
Asia Pacific [(a)]	371.4	339.7	9%		9%
Other markets	89.2	72.8	23%	3%	20%
Total	$2,093.5	$1,911.2	10%		

[(a)] Asia Pacific:

Japan			*2%*	*(1%)*	*3%*
All other			*21%*	*1%*	*20%*

*Reported growth less impact of foreign currency.

categories. Contributing to the increased sales in the Mass Spectrometry category were sales of the API triple quad, Q TRAP, and QSTAR systems. The Real-Time PCR/Applied Genomics category increased primarily as a result of higher sales of low throughput Real-Time PCR instruments for core research and applied market applications.

Consumables

The increase in consumables sales in fiscal 2007 primarily reflected the strength of Real-Time PCR/Applied Genomics consumable sales. These sales increased primarily as a result of the acquisition of Ambion, higher sales of TaqMan Gene Expression Assay products, human identification kits used in forensics, and sequence detection systems consumables. Also favorably impacting consumables revenues were higher sales of DNA sequencing consumables.

Revenues in Europe increased primarily as a result of sales of DNA sequencing consumables, Ambion products, low to medium throughput genetic analyzers, API triple quad systems, Q TRAP systems, and TaqMan Gene Expression Assay products.

Sales in the U.S. increased primarily due to sales of Ambion products, API triple quad systems, a U.S. Department of Defense contract for an instrument system, Real-Time PCR consumables, human identification consumables, and TaqMan Gene Expression Assay products. This growth was partially offset by lower sales of genetic analyzers.

Revenues in Asia Pacific, other than Japan, increased due to higher sales of low throughput Real-Time PCR instruments, Q TRAP systems, human identification consumables, DNA Sequencing consumables, and Ambion products.

Gross margin, as a percentage of net revenues, increased for fiscal 2007 over the prior year primarily due to improved vendor pricing related to enzymes, the favorable effects of foreign currency, higher contract revenues due in part to the U.S. Department of Defense contract awarded to the Applied Biosystems group in August 2006, and improved service margins, partially offset by increased royalty costs as a result of legal settlements and decreased royalty revenues due in part to the settlement with Bio-Rad. The improvement in service margins was

primarily driven by improved efficiency in the field service organization and growth in the volume of service contracts. In regards to the new enzyme program, we renegotiated pricing under our purchase agreement with our vendor and we began to manufacture our own enzymes and to launch new master mix products with those enzymes, all of which benefited our gross margin in fiscal 2007.

SG&A expenses for fiscal 2007 increased compared to the prior year primarily due to operating and integration costs of approximately $18 million related to Ambion, higher employee-related costs of approximately $17 million, which included increases related to sales commissions, and strategic investments of approximately $11 million to support growth in China, North America, and Europe. This increase was partially offset by lower legal expenses of approximately $14 million, including a reversal of a $5 million accrual related to settled litigation recorded in fiscal 2006.

R&D expenses increased in fiscal 2007 from the prior year primarily as a result of costs associated with the development of an advanced genetic analysis platform related to the APG acquisition, increased costs related to Ambion, and the U.S. Department of Defense contract awarded to the Applied Biosystems group in August 2006. Partially offsetting these expenses was a reduction in costs incurred in fiscal 2006 for R&D projects that were either completed or not continued in fiscal 2007.

Interest income, net increased during fiscal 2007 compared to the prior year primarily due to higher average interest rates, partially offset by lower average cash and cash equivalents and short-term investments. The lower cash and cash equivalents and short-term investments were primarily the result of share repurchases in fiscal 2007, the acquisition of Ambion in March 2006, and the acquisition of APG in July 2006.

Other income (expense), net increased in fiscal 2007 compared to fiscal 2006 primarily due to higher benefits associated with our foreign currency risk management program.

The increase in the effective tax rate for fiscal 2007 compared to fiscal 2006 was primarily due to the previously described events impacting comparability, including the events described under tax items.

agreement with four banks that matures on May 25, 2012. This amount was increased from $200 million effective August 27, 2007, at our request in accordance with the terms of the agreement. There were no borrowings outstanding under this agreement at June 30, 2008. On August 27, 2007, we entered into a $100 million unsecured term loan agreement with Bank of America, N.A. that matures on September 4, 2008. Upon the satisfaction of various conditions, we have the option to extend the maturity date on this agreement to September 4, 2010. There was $100 million outstanding under this agreement at June 30, 2008. Subsequent to June 30, 2008, we repaid $50 million of the amount outstanding. Both the revolving credit agreement and the term loan agreement require that we maintain a debt to total capital ratio, as defined in each agreement, of not more than 0.50:1:00. See Note 10 to our consolidated financial statements for more information on our loans payable. The amounts borrowed under these agreements were used to fund the repurchase of shares of Applied Biosystems group stock and were allocated entirely to the Applied Biosystems group. Cash provided by operating activities and our debt borrowings have been the Applied Biosystems group' s primary source of funds over the last three fiscal years.

In April 2007, we announced that our board of directors authorized the repurchase of up to 10% of the outstanding shares of Applied Biosystems stock. This authorization has no time restrictions and delegates to management the discretion to purchase shares at times and prices it deems appropriate through open market purchases, privately negotiated transactions, tender offers, exchange offers, or otherwise. We repurchased 3.4 million shares of Applied Biosystems stock for approximately $100 million during the fourth quarter of fiscal 2007 under this authorization. Subsequently, on August 8, 2007, we announced that our board of directors increased this authorization to $1.2 billion in the aggregate, including the $100 million already repurchased as discussed above, which at market prices on that date represented approximately 20% of the outstanding shares of Applied Biosystems stock. In accordance with this authorization, we entered into an agreement with Morgan Stanley in August 2007 for the accelerated repurchase of $600 million of Applied Biosystems stock. During fiscal 2008, we paid Morgan Stanley approximately $602 million for this transaction, of which $327 million was funded by cash and

Applied Biosystems Group

Discussion of Financial Resources and Liquidity

The Applied Biosystems group had cash and cash equivalents and short-term investments of $543.2 million at June 30, 2008, and $494.5 million at June 30, 2007. We maintain a $250 million unsecured revolving credit

$275 million was funded by bank loans. In fiscal 2008, we repaid $175 million of these bank loans. In October 2007, 16 million shares of Applied Biosystems stock were delivered to us under this agreement. In January 2008, Morgan Stanley exercised its option to settle the accelerated share repurchase transaction prior to its maturity and delivered to us an additional 1.9 million shares of Applied Biosystems stock. See Note 7 to our consolidated financial statements for more information on the accelerated share repurchase. These authorizations supplement the board' s standing authorization to

replenish shares of Applied Biosystems stock issued under our employee stock benefit plans. Under the terms of the merger agreement with Invitrogen, we are generally prohibited from repurchasing any shares of Applied Biosystems stock without the prior agreement of Invitrogen.

The discussion in this section below does not give effect to the indebtedness to be incurred in connection with the pending merger with Invitrogen and is based on our current liquidity needs and operations.

We believe that existing funds, cash generated from operations, and existing sources of debt financing are more than adequate to satisfy the Applied Biosystems group' s normal operating cash flow needs, planned capital expenditures, acquisitions, and dividends for the next twelve months and for the foreseeable future. Capital spending in fiscal 2009 is expected to be in the range of $85 to $90 million. We manage the investment of surplus cash and the issuance and repayment of short and long-term debt for the Applied Biosystems group and the Celera group on a centralized basis and allocate activity within these balances to the group that uses or generates such resources.

(Dollar amounts in millions)	**2008**	2007
Cash and cash equivalents	**$543.2**	$293.2
Short-term investments		201.3
Total cash and cash equivalents and short-term investments	**$543.2**	$494.5
Total debt	**100.0**	
Working capital	**585.7**	646.7
Debt to total capitalization	**6.5%**	

The overall increase in cash and cash equivalents and short-term investments for fiscal 2008 from June 30, 2007 resulted and a higher source of cash in accounts receivable, partially offset by a higher use of cash in inventories. The higher source of cash in accounts receivable was primarily due to higher sales volume. The higher use of cash in inventories is primarily related to the build up of both instruments and consumables for the SOLiD System. Within prepaid expenses and other assets, the higher source of cash primarily resulted from the timing of royalty receipts, collection of value-added tax receivables, and dividends and distributions related to our joint venture activities. Partially offsetting these sources of cash were higher payments by the Applied Biosystems group in fiscal 2008 under license and collaboration agreements, including approximately $37 million made in the second quarter of fiscal 2008. The higher use of cash in accounts payable and other liabilities resulted primarily from the timing of royalty payments, partially offset by tax refunds received in fiscal 2008 primarily due to the completion of the IRS and foreign tax audits and the timing of vendor payments.

Net cash from operating activities for fiscal 2007 was $9.2 million lower than in fiscal 2006. This decrease resulted primarily from a higher use of cash in accounts receivable and prepaid expenses and other assets, partially offset by a lower use of cash in accounts payable and other liabilities in fiscal 2007. The higher use of cash in accounts receivable was due to increased sales. The higher use of cash in prepaid expenses and other assets in fiscal 2007 primarily resulted from the timing of the receipts of dividends and distributions related to joint venture activities, partially offset by the collection of non-trade receivables also related to joint venture activities. The lower use of cash in accounts payable and other liabilities resulted primarily from a voluntary contribution of approximately $31 million to our pension plans in fiscal 2006, the payment of approximately $58 million related to the previously discussed Amersham and Beckman Coulter legal matters also in fiscal 2006, and lower severance and excess lease payments in fiscal 2007, partially offset by the timing of vendor payments.

The Applied Biosystems group' s days sales outstanding was 58 days at June 30, 2008 and 2007, and 54 days at June 30, 2006. The growth in days sales outstanding at June 30, 2007 over the prior year was driven primarily by higher sales volume and increased royalty receivables. Successful collection efforts in fiscal 2008 offset the higher sales volume.

from cash generated from operating activities and from debt financing, partially offset by cash expenditures for the accelerated share repurchase transaction. Cash and cash equivalents increased from June 30, 2007, as cash generated from operating activities, proceeds from bank loans, net of repayments, sales of investments and other assets, net of purchases, and stock issuances exceeded the payment to Morgan Stanley for the accelerated share repurchase transaction, capital spending and dividends paid.

Net cash flows of continuing operations for the fiscal years ended June 30 were as follows:

(Dollar amounts in millions)	**2008**	2007	2006
Net cash from operating activities	**$ 508.4**	$ 366.1	$ 375.3
Net cash from investing activities	**198.1**	(383.0)	(295.1)
Net cash from financing activities	**(449.0)**	(80.1)	(459.4)
Effect of exchange rate changes on cash	**(20.4)**	16.2	(3.0)

Operating activities

Net cash from operating activities for fiscal 2008 was $142.3 million higher than in fiscal 2007. This increase resulted primarily from higher income-related cash flows

Inventory on hand was 3.3 months at June 30, 2008, 2.7 months at June 30, 2007, and 2.4 months at June 30, 2006.

Investing activities

Capital expenditures, net of disposals, were $49.2 million in fiscal 2008, $60.3 million in fiscal 2007, and $41.5 million in fiscal 2006. Fiscal 2008 included expenditures for a manufacturing execution system project, continued

facility renovations in Foster City, California, and purchases of testing, laboratory, computer and production equipment. The manufacturing execution system project is expected to enhance turnaround time from when an order is placed, allow faster new product introduction, and improve the ability to track work orders. Fiscal 2007 included expenditures for facility renovations in Foster City, California, the opening of new application support centers in Shanghai, China, and Foster City, California, and purchases of computer, production and laboratory equipment. Fiscal 2006 included expenditures for the development of, and enhancements to, the Applied Biosystems Portal of approximately $8 million. Additionally fiscal 2006 capital expenditures included purchases of production equipment, testing and laboratory equipment, computer equipment, and computer software and licenses.

Fiscal 2008 included higher proceeds from sales of available for sale investments and lower purchases of available for sale investments. In fiscal 2007, purchases exceeded the proceeds received from the sales and maturities of available-for-sale investments. In fiscal 2005, cash was generated from the sales and maturities, net of purchases, of available-for-sale investments. In July 2006, we acquired APG for approximately $121 million, including transaction costs, and in March 2006, we acquired Ambion for approximately $279 million, including transaction costs. Both of these acquisitions are described in Note 3 to our consolidated financial statements. In fiscal 2008, we sold non-strategic minority equity investments and an airplane and received net proceeds of approximately $46 million, the majority of which was received in the fourth quarter of fiscal 2008. In fiscal 2006, we sold a vacant facility in Connecticut and our San Jose, California facility and received net proceeds of approximately $26 million.

Financing activities

During fiscal 2008, we paid Morgan Stanley approximately $602 million for the accelerated share repurchase transaction, of which $275 million was funded by bank loans and the balance with cash. In October 2007, 16 million shares of Applied Biosystems stock were delivered to us under this transaction. In January 2008, Morgan Stanley exercised its option to settle the accelerated share repurchase transaction prior to its maturity and delivered to us an additional payment dates. We repurchased the following shares of Applied Biosystems stock during the fiscal years ended June 30:

(Dollars and shares in millions)	Number of Shares Repurchased	Purchase Price
2008	**17.9**	**$601.5**
2007	5.2	168.6
2006	24.5	601.9

In fiscal 2006, the Applied Biosystems group received $30 million from the Celera group as partial consideration for its interest in the Celera Diagnostics joint venture. See Note 16 for further information on the Celera Diagnostics restructuring.

Celera Group

Results of Operations– 2008 Compared with 2007

(Dollar amounts in millions)	**2008**	2007	**% Increase/ (Decrease)**
Net revenues	**$ 139.4**	$ 43.4	**221.2%**
Cost of sales	**39.8**	17.6	**126.1%**
Gross margin	**99.6**	25.8	**286.0%**
SG&A expenses	**74.6**	29.7	**151.2%**
R&D	**40.9**	51.7	**(20.9%)**
Amortization of purchased intangible assets	**7.1**		

1.9 million shares of Applied Biosystems stock. During fiscal 2008, we borrowed $175 million under our $250 million unsecured revolving credit agreement and $100 million under our unsecured term loan agreement and we repaid $175 million of these borrowings. See Note 10 to our consolidated financial statements for more information on our loans payable. Fiscal 2007 included four dividend payments on Applied Biosystems stock compared to three payments in fiscal 2006 due to the timing of the

Employee-related charges, asset impairments and other	**7.0**	10.3	**(32.0%)**
Asset dispositions and legal settlements	**(1.1)**	(2.4)	**(54.2%)**
Operating loss	**(28.9)**	(63.5)	**(54.5%)**
Loss on investment, net	**(3.0)**		
Interest income, net	**17.7**	27.8	**(36.3%)**
Other income (expense), net		0.5	**(100.0%)**
Loss before income taxes	**(14.2)**	(35.2)	**(59.7%)**
(Provision) benefit for income taxes	**(88.4)**	15.4	**(674.0%)**
Net loss	**$ (102.6)**	$ (19.8)	**418.2%**
Effective income tax benefit rate	**622.5%**	43.8%	

The following table summarizes the impact of the previously described events impacting comparability included in the financial results for fiscal 2008 and 2007:

(Dollar amounts in millions)	**2008**	2007
Charge included in loss before income taxes	**$(8.9)**	$(5.4)
Provision (benefit) for income taxes	**89.9**	(3.4)

The higher net loss in fiscal 2008 compared to the prior year resulted primarily from the previously described events impacting comparability and higher SG&A expenses, partially offset by higher net revenues and lower R&D expenses.

The following table sets forth the components of our net revenues for the fiscal years ended June 30:

(Dollar amounts in millions)	2008	2007	% Increase/ (Decrease)
Products, including alliance equalization	$32.1	$25.3	26.9%
Services	71.0		
Royalty, licenses, and milestones	36.3	18.1	100.6%
Total net revenues	$139.4	$43.4	221.2%

Reported revenues for the Celera group are comprised of three categories: product sales, including equalization payments from Abbott, service revenues, and royalty, licenses and milestones revenues. Product sales consist of the Celera group' s portion of sales of Atria HLA products and shipments of products manufactured by the Celera group to our alliance partner, Abbott Laboratories, at cost. Equalization payments result from an equal sharing of alliance profits and losses between the alliance partners and vary each period depending on the relative income and expense contribution of each partner. Service revenues consist primarily of clinical laboratory testing services by BHL.

Costs associated with our product sales to Abbott are included in cost of sales. End-user sales to third parties are recognized by Abbott. Research and development and administrative costs incurred by the Celera group in connection with the Abbott alliance are presented on a gross basis in our Consolidated Statements of Operations. All revenues, costs and expenses of the alliance are shared equally by both parties. The timing and nature of equalization payments can lead to fluctuations in both reported revenues and gross margins from period to period due to changes in end-user sales of alliance products and differences in relative operating expenses between the alliance partners.

Product revenues for fiscal 2008 increased compared to the prior year primarily due to $7.5 million of net revenues from Atria, partially offset by lower equalization payments from

The increase in gross margin in fiscal 2008 compared to fiscal 2007 was primarily attributable to the sales of higher margin services and products due to BHL and Atria and higher licensing and royalty revenues.

R&D expenses decreased in fiscal 2008 compared to the prior year primarily due to reduced proteomic-based target discovery and validation related activities. SG&A expenses increased in fiscal 2008 compared to the prior year primarily due to the inclusion of BHL expenses of approximately $41 million for fiscal 2008.

Interest income, net decreased during fiscal 2008 as compared to the prior year primarily due to lower average cash and cash equivalents and short-term investments combined with lower average interest rates.

The increase in the effective tax rate for fiscal 2008 compared to the prior year was primarily due to the previously described events impacting comparability, including the events described under tax items.

Supplemental Information

The following supplemental information is provided for the fiscal years ended June 30. The amounts disclosed below for end-user sales are not included as part of the Celera group' s revenues. End-user sales consist of products sold globally through the alliance with Abbott and are thus recognized by Abbott. A significant portion of our product revenues is derived from the alliance through our profit sharing arrangement. We believe discussion of end-user sales of products sold through the alliance provides a meaningful measure of market acceptance of these products and thus also a meaningful measure of the sales performance of the alliance. The reporting of this supplemental data permits comparisons of product and alliance performance on a period-to-period basis. The revenues reported in our Consolidated Statements of Operations do not directly provide this or comparable information, because the reported product revenues fluctuate period to period based on factors other than product sales due to the profit sharing arrangement with Abbott. Accordingly, end-user sales are the only publicly reported measure of alliance product sales.

(Dollar amounts in millions)	2008	2007

Abbott. Equalization revenue, net was $14.9 million for fiscal 2008 compared to $15.5 million for fiscal 2007. Service revenues for fiscal 2008 were primarily from BHL. Royalty, licenses and milestones revenues for fiscal 2008 included: $9.6 million from agreements with Siemens Medical Solutions Diagnostics, which included patent licenses for real-time PCR thermal cycling instruments and reagents in the human in vitro diagnostics field; $12.3 million from licenses with Cepheid relating to real-time PCR thermal cycler instruments; $3.0 million from the resale of our cathepsin S inhibitor program to a privately-held drug development company; and $2.0 million from Merck as a result of the cathepsin K inhibitor program entering a Phase III clinical trial. Fiscal 2007 included $2.5 million from the sale of a small molecule drug discovery and development program to Schering AG.

Equalization revenue, net	**$14.9**	$15.5
End-user revenues	**123.6**	100.3

Increased sales of Human Immunodeficiency Virus ("HIV"), HCV, and hepatitis B virus ("HBV") RealTime™ viral load assays used on the m2000™ system and increased sales of the Atria HLA products, ViroSeq™ HIV-1 Genotyping System for genotyping HIV, fragile X ASRs, and ASRs for the detection of mutations in genes known to be involved in deep vein thrombosis all contributed to the growth in end-user sales for fiscal 2008

compared to the prior year. 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 litigation with Innogenetics N.V. Following Abbott' s settlement of its litigation with Innogenetics in the third quarter of fiscal 2008, the HCV genotyping ASRs were reintroduced onto the menu of tests offered through the alliance.

Results of Operations– 2007 Compared with 2006

(Dollar amounts in millions)	2007	2006	% Increase/ (Decrease)
Net revenues	$ 43.4	$ 46.2	(6.1%)
Cost of sales	17.6	19.7	(10.7%)
Gross margin	25.8	26.5	(2.6%)
R&D	51.7	94.3	(45.2%)
SG&A expenses	29.7	36.1	(17.7%)
Amortization of purchased intangible assets		1.1	(100.0%)
Employee-related charges, asset impairments and other	10.3	26.2	(60.7%)
Asset dispositions and legal settlements	(2.4)	0.7	(442.9%)
Operating loss	(63.5)	(131.9)	(51.9%)

Product revenues in fiscal 2007 decreased compared to fiscal 2006 primarily due to $2.6 million of revenues in fiscal 2006 from Paracel and lower equalization payments from Abbott in fiscal 2007, partially offset by higher product sales in fiscal 2007. Equalization revenue, net was $15.5 million in fiscal 2007 compared to $17.8 million in fiscal 2006. Service revenues for fiscal 2006 included $0.4 million associated with genotyping selected DNA sequence variants. Royalty, licenses and milestones revenues included: $8.0 million in fiscal 2007 of licensing revenue from Beckman Coulter, Inc., or Beckman Coulter, $2.5 million in fiscal 2007 and $8.6 million in fiscal 2006 from the sale of some small molecule drug discovery and development programs, $1.9 million of revenues in fiscal 2006 from the Online/Information Business, and higher royalties in fiscal 2007. Commencing in July 2006, Beckman Coulter began making quarterly payments which are expected to total $20.0 million over ten quarters for diagnostic rights to some technology as part of a legal settlement between Beckman Coulter and the Company.

The decrease in gross margin in fiscal 2007 compared to fiscal 2006 was primarily attributable to lower revenue from the sale of small molecule programs and lower equalization payments from Abbott in fiscal 2007, partially offset by increased licensing and royalty revenues. In addition, fiscal 2006 included revenues from the Online/Information and Paracel businesses.

Both R&D and SG&A expenses decreased in fiscal 2007 compared to the prior year primarily due to the decision to exit small molecule drug discovery and development in the third quarter of fiscal 2006.

Interest income, net increased during fiscal 2007 as compared to the prior year primarily due to higher average interest rates, partially offset by lower average cash and cash equivalents and short-term investments.

The increase in the effective income tax benefit rate for fiscal 2007 compared to fiscal 2006 was primarily attributable to the extension of the R&D tax credit, which included a tax benefit of $1.0 million related to the recognition of the prior fiscal year R&D tax credit, as a result of the Tax Relief and Health Care Act of 2006.

Supplemental Information

Gain on investments, net		7.6	(100.0%)
Interest income, net	27.8	22.4	24.1%
Other income (expense), net	0.5	(0.2)	(350.0%)
Loss before income taxes	(35.2)	(102.1)	(65.5%)
Benefit for income taxes	15.4	39.4	(60.9%)
Net loss	$ (19.8)	$ (62.7)	(68.4%)
Effective income tax benefit rate	43.8%	38.6%	

The following table summarizes the impact of the previously described events impacting comparability included in the financial results for fiscal 2007 and 2006:

(Dollar amounts in millions)	2007	2006
Charge included in loss before income taxes	$(5.4)	$(10.6)
Benefit for income taxes	(3.4)	(3.7)

The lower net loss in fiscal 2007 compared to the prior year resulted primarily from lower R&D and SG&A expenses, the previously described events impacting comparability, and a higher effective income tax benefit rate.

The following table sets forth the components of our net revenues for the fiscal years ended June 30:

(Dollar amounts in millions)	2007	2006	% Increase/ (Decrease)
Products, including alliance equalization	$25.3	$29.2	(13.4%)
Services		0.4	(100.0%)
Royalty, licenses, and milestones	18.1	16.6	9.0%

The following supplemental information is provided for the fiscal years ended June 30. The amounts disclosed below for end-user sales are not included as part of the Celera group' s revenues. End-user sales consist of products sold globally through the alliance with Abbott and are thus recognized by Abbott. A significant portion of our product revenues is derived from the alliance through our profit sharing arrangement. We believe discussion of end-user sales of products sold through the alliance provides a meaningful measure of market acceptance of these

Total net revenues	$43.4	$46.2	(6.1%)

products and thus also a meaningful measure of the sales performance of the alliance. The reporting of this supplemental data permits comparisons of product and alliance performance on a period-to-period basis. The revenues reported in our Consolidated Statements of Operations do not directly provide this or comparable information, because the reported product revenues fluctuate period to period based on factors other than product sales due to the profit sharing arrangement with Abbott. Accordingly, end-user sales are the only publicly reported measure of alliance product sales.

The following supplemental information is provided for the fiscal years ended June 30:

(Dollar amounts in millions)	2007	2006
Equalization revenue, net	$15.5	$17.8
End-user revenues	100.3	79.5

End-user revenues included products sold through the alliance with Abbott and revenues from our unpartnered new genetic tests. Higher sales of HIV and HCV viral load, Chlamydia, and Gonorrhea Real-Ti*m*e assays used on the *m*2000 system, as well as high resolution HLA genotyping products, ViroSeq® HIV-1 genotyping products, and cystic fibrosis, Fragile X, and thrombosis related ASRs all contributed to the year-over-year growth in end-user revenues. These increases were partially offset by lower sales of our HCV genotyping ASRs due to an injunction against sales of these products as described above. Fiscal 2006 included $3.6 million of end-user revenues from a low resolution HLA product line that was removed from the alliance in December 2005.

Celera Group

Discussion of Financial Resources and Liquidity

The Celera group had cash and cash equivalents and short-term investments of $333.5 million at June 30, 2008 and $561.5 million at June 30, 2007. We maintain a $250 million unsecured revolving credit agreement with four banks that matures on May 25, 2012. This amount was increased from $200 million effective August 27, 2007, at our request in accordance with the terms of the agreement. There were no to our consolidated financial statements for more information on our loans payable. None of the above borrowings or related interest expense was allocated to the Celera group.

We manage the investment of surplus cash and the issuance and repayment of short and long-term debt for the Celera group and the Applied Biosystems group on a centralized basis and allocate activity within these balances to the group that uses or generates such resources.

(Dollar amounts in millions)	**2008**	2007
Cash and cash equivalents	**$ 45.8**	$ 30.0
Short-term investments	**287.7**	531.5
Total cash and cash equivalents and short-term investments	**$333.5**	$561.5
Total debt	**0.1**	
Working capital	**379.3**	559.2

The overall decrease of cash and cash equivalents and short-term investments for fiscal 2008 from June 30, 2007 resulted from cash expenditures for the acquisitions of BHL and Atria, partially offset by lower cash used by operating activities. Cash and cash equivalents increased from June 30, 2007, as proceeds from the sales and maturities of available for sale investments, net of purchases, and stock issuances exceeded the amount expended on the acquisitions of BHL and Atria, the purchase of capital assets, and the repayment of debt assumed in the BHL acquisition.

Net cash flows for the fiscal years ended June 30 were as follows:

(Dollar amounts in millions)	**2008**	2007	2006
Net cash from operating activities	**$(5.5)**	$(23.0)	$(96.3)

borrowings outstanding under this agreement at June 30, 2008. On August 27, 2007, we entered into a $100 million unsecured term loan agreement with Bank of America, N.A. that matures on September 4, 2008. Upon the satisfaction of various conditions, we have the option to extend the maturity date on this agreement to September 4, 2010. There was $100 million outstanding under this agreement at June 30, 2008. Subsequent to June 30, 2008, we repaid $50 million of the amount outstanding. Both the revolving credit agreement and the term loan agreement require that we maintain a debt to total capital ratio, as defined in each agreement, of not more than 0.50:1:00. See Note 10

Net cash from investing activities	**24.0**	(24.0)	135.5
Net cash from financing activities	**(2.7)**	16.8	(2.1)

Operating activities

The lower use of cash from operating activities for fiscal 2008 compared to fiscal 2007 resulted primarily from higher income-related cash flows in fiscal 2008, partially offset by a higher use of cash in accounts receivable. The higher use of cash in accounts receivable was due in part to the timing of the collection of licensing and milestone payments recorded in fiscal 2007, as well as an increase in receivables related to both royalty revenues and the sale of BHL services and Atria products, partially offset by higher sales volume in fiscal 2008.

Net cash used by operating activities for fiscal 2007 was $75.3 million lower than in fiscal 2006. The lower use of cash resulted primarily from lower net cash operating losses and lower working capital requirements in fiscal

2007. Working capital benefited primarily from a lower decrease in accounts payable and other liabilities and higher proceeds from accounts receivable. The lower decrease in accounts payable and other liabilities was primarily due to exiting small molecule drug discovery and development and the Online/Information business. The higher proceeds in accounts receivable was primarily due to the collection of receivables in fiscal 2007 related to exiting the small molecule business.

Investing activities

Capital expenditures, net of disposals, were $4.1 million in fiscal 2008, $2.4 million in fiscal 2007, and $4.8 million in fiscal 2006. Fiscal 2008 capital expenditures consisted of leasehold improvements at BHL' s laboratory and 4myheart Centers. Fiscal 2007 and 2006 capital expenditures consisted of equipment purchases and leasehold improvements, the majority of which related to the diagnostics business.

Fiscal 2008 included lower proceeds from sales and maturities and lower purchases of available for sale investments. In October 2007, we acquired BHL and Atria for approximately $214 million, including transaction costs and net of cash acquired. In fiscal 2007, purchases exceeded the proceeds received from the sales and maturities of available-for-sale investments. In fiscal 2006, cash was generated from the sales and maturities of available-for-sale investments, net of purchases of available-for-sale investments. In fiscal 2006, the Celera group received proceeds of $9.5 million primarily related to the sale of non-strategic minority equity investments.

Financing activities

In connection with the acquisition of BHL, we assumed approximately $10.8 million of floating and fixed rate debt, of which $10.7 million was repaid in fiscal 2008. See Note 10 to our consolidated financial statements for more information on our debt. In fiscal 2006, we received proceeds of $9.2 million from the exercise of stock options held by The Institute for Genomic Research ("TIGR"). TIGR received these options in fiscal 1999 in connection with the formation of the Celera group. Also in fiscal 2006, we paid $30 million to the Applied Biosystems group as partial consideration for its interest in

We operate internationally, with manufacturing and distribution facilities in various countries throughout the world. In each of fiscal years 2008, 2007, and 2006, we derived approximately 55% of our revenues from countries outside of the U.S., while a significant portion of the related costs were based in U.S. dollars. We anticipate that our future results will continue to be affected by market risks, including changes in political and economic conditions in foreign markets and fluctuations in currency rates, primarily the euro, Japanese yen, and British pound.

Our foreign currency risk management strategy uses derivative instruments to hedge exposures related to various foreign currency forecasted revenues and intercompany transactions and to offset the impact of changes in currency rates on various foreign currency-denominated assets and liabilities. The principal objective of this strategy is to minimize the risks and/or costs associated with our global financing and operating activities. We use forward, option, and range forward contracts to manage our foreign currency exposures. Forward contracts commit us to buy or sell a currency at a contracted rate on a specific future date. Option contracts grant us the right, but not the obligation, to buy or sell a currency at a certain rate by or on a specific future date in exchange for a fee. Option contracts provide us with an effective hedge against a negative movement in currency rates at a fixed cost. Range forward contracts consist of the simultaneous purchase and sale of options to create a range within which we can benefit from changes in currency rates. We use forward contracts to offset the impact of changes in currency rates on various foreign currency-denominated assets and liabilities. In hedging various foreign currency forecasted revenues and intercompany transactions where we have functional currency exposure, we use a combination of forward, option and range forward contracts in a cost beneficial manner. We do not use derivative financial instruments for trading or speculative purposes, nor are we a party to leveraged derivatives.

We performed a sensitivity analysis as of June 30, 2008, based on a hypothetical 10% adverse change in foreign currency rates relative to the U.S. dollar. This analysis included the change in fair value of all derivative financial instruments used to hedge our forecasted third party and intercompany sales. In addition, this analysis excluded both the impact of translation on foreign currency-denominated

the Celera Diagnostics joint venture. See Note 16 for further information on the Celera Diagnostics restructuring.

Market Risks

We are exposed to potential loss from exposure to market risks represented principally by changes in currency rates, interest rates, and equity prices.

assets and liabilities as well as the change in fair value of all derivative financial instruments used to hedge these balance sheet items as the resulting amounts would largely offset each other. As of June 30, 2008, we calculated a hypothetical after-tax loss of $26.9 million, as compared to a hypothetical after-tax loss of $21.8 million at June 30, 2007. If currency rates actually change in a manner similar to the assumed change in the foregoing calculation, the hypothetical calculated loss would be more than offset by the recognition of higher U.S. dollar equivalent foreign revenues. Actual gains and

losses in the future could, however, differ materially from this analysis, based on changes in the timing and amount of currency rate movements and actual exposures and hedges.

We do not hedge our equity positions in other companies or our short-term investments. Our exposure on these instruments is limited to changes in quoted market prices. The fair value of our minority equity positions in other companies was approximately $2 million at June 30, 2008 and $16 million at June 30, 2007.

Impact of Inflation and Changing Prices

Inflation and changing prices are continually monitored. We attempt to minimize the impact of inflation by improving productivity and efficiency through continual review of both manufacturing capacity and operating expense levels. When operating costs and manufacturing costs increase, we attempt to recover such costs by increasing, over time, the selling price of our products and services. We believe the effects of inflation have been appropriately managed and therefore have not had a material impact on our historic consolidated operations and resulting financial position.

Recently Issued Accounting Pronouncements

See Note 1 to our consolidated financial statements for a description of the effect of recently issued accounting pronouncements.

Forward-Looking Statements

Some statements contained in this report are forward-looking and are subject to a variety of risks and uncertainties. Similarly, the press releases we issue and other public statements we make from time to time may contain language that is forward-looking. These forward-looking statements may be identified by the use of forward-looking words or phrases such as "forecast," "believe," "expect," "intend," "anticipate," "should," "plan," "estimate," and "potential," among others. The forward-looking statements contained in this report, including statements regarding the pending merger with Invitrogen, are based on our current expectations and those made at other times will be based on our expectations when the statements are made. We cannot guarantee that any forward-looking statements will be realized.

statements. We also note that achievement of anticipated results or expectations in forward-looking statements is subject to the possibility that assumptions underlying forward-looking statements will prove to be inaccurate. Investors should bear this in mind as they consider forward-looking statements. The risks and uncertainties that may affect the operations, performance, development, and results of our business include, but are not limited to, those described under the heading "Risk Factors" contained in our Form 10-K Annual Report for fiscal 2008. We note that our business could be affected by other factors that we have not disclosed because we think they are immaterial. Also, there may be additional risks and uncertainties that could affect our business but which are not currently known to us.

The Private Securities Litigation Reform Act of 1995 provides a ‘‘safe harbor’’ for forward-looking statements. To comply with the terms of the safe harbor, we note that a variety of factors could cause actual results and experience to differ materially from anticipated results or other expectations expressed in forward-looking

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Consolidated Statements of Operations

Applied Biosystems Inc.

(Dollar amounts in thousands except per share amounts)

For the years ended June 30,	2008	2007	2006
Products	**$1,855,174**	$1,753,152	$1,595,230
Services	**348,988**	244,041	217,634
Other	**157,322**	135,300	136,526
Total Net Revenues	**2,361,484**	2,132,493	1,949,390
Products	**840,142**	832,241	776,764
Services	**147,098**	107,407	93,460
Other	**11,890**	11,824	11,014
Total Cost of Sales	**999,130**	951,472	881,238
Gross Margin	**1,362,354**	1,181,021	1,068,152
Selling, general and administrative	**714,027**	622,692	584,483
Research and development	**235,230**	253,971	271,359
Amortization of purchased intangible assets	**17,561**	11,264	5,916
Employee-related charges, asset impairments and other	**27,281**	10,342	26,547
Asset dispositions and legal settlements	**(8,656)**	(4,585)	11,221
Acquired research and development		114,251	3,400

Operating Income	**376,911**	173,086	165,226
Gain on investments, net	**24,537**	209	7,628
Interest expense	**(8,366)**	(904)	(656)
Interest income	**34,698**	44,076	37,714
Other income (expense), net	**3,355**	6,755	5,342
Income before Income Taxes	**431,135**	223,222	215,254
Provision for income taxes	**217,327**	72,451	2,762
Income from Continuing Operations	**213,808**	150,771	212,492
Income from discontinued operations, net of income taxes		8,529	
Net Income	**$213,808**	$159,300	$212,492
Applied Biosystems Group (see Note 1)			
Income from Continuing Operations per Share			
Basic	**$1.83**	$0.93	$1.47
Diluted	**$1.78**	$0.90	$1.43
Income from Discontinued Operations per Share			
Basic	**$–**	$0.05	$–
Diluted	**$–**	$0.04	$–

Net Income per Share			
Basic	**$1.83**	$0.98	$1.47
Diluted	**$1.78**	$0.94	$1.43
Celera Group (see Note 1)			
Net Loss per Share			
Basic and diluted	**$(1.29)**	$(0.25)	$(0.83)

See accompanying notes to Applied Biosystems Inc.` s consolidated financial statements.

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Consolidated Statements of Financial Position

Applied Biosystems Inc.

(Dollar amounts in thousands except share data)

At June 30,	2008	2007
Assets		
Current assets		
Cash and cash equivalents	**$589,030**	$323,203
Short-term investments	**287,726**	732,757
Accounts receivable (net of allowances for doubtful accounts of $15,928 and $7,422 respectively)	**515,712**	452,873
Inventories, net	**170,265**	140,349
Prepaid expenses and other current assets	**154,558**	179,445
Total current assets	**1,717,291**	1,828,627
Property, plant and equipment, net	**371,387**	390,810
Goodwill and intangible assets, net	**521,990**	297,962
Other long-term assets	**450,723**	635,141
Total Assets	**$3,061,391**	$3,152,540
Liabilities and Stockholders' Equity		
Current liabilities		

Loans payable	**$100,123**	$–
Accounts payable	**172,116**	162,665
Accrued salaries and wages	**124,341**	108,552
Current deferred tax liability	**13,734**	15,633
Accrued taxes on income	**17,525**	66,701
Other accrued expenses	**325,269**	269,623
Total current liabilities	**753,108**	623,174
Other long-term liabilities	**243,809**	213,312
Total Liabilities	**996,917**	836,486
Commitments and contingencies (see Note 11)		
Stockholders' Equity		
Capital stock		
Preferred stock		
Applied Biosystems Inc.: $.01 par value; 10,000,000 shares authorized at June 30, 2008, and 2007; no shares issued and outstanding at June 30, 2008 and 2007		
Common stock		
Applied Biosystems stock: $.01 par value; 213,393,000 shares issued at June 30, 2008, and 213,309,000 shares issued at June 30, 2007	**2,134**	2,133

Celera stock: $.01 par value; 80,061,000 shares issued at June 30, 2008, and 79,012,000 shares issued at June 30, 2007	**801**	790
Capital in excess of par value	**2,291,608**	2,248,372
Retained earnings	**1,076,247**	854,721
Accumulated other comprehensive income	**4,195**	11,363
Treasury stock, at cost	**(1,310,511)**	(801,325)
Total Stockholders' Equity	**2,064,474**	2,316,054
Total Liabilities and Stockholders' Equity	**$3,061,391**	$3,152,540

See accompanying notes to Applied Biosystems Inc.' s consolidated financial statements.

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Consolidated Statements of Cash Flows

Applied Biosystems Inc.

(Dollar amounts in thousands)

For the years ended June 30,	2008	2007	2006
Operating Activities of Continuing Operations			
Income from continuing operations	**$213,808**	$150,771	$212,492
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	**89,728**	86,091	90,988
Asset impairments	**3,911**	6,795	10,070
Employee-related charges and other	**19,356**	3,547	7,674
Share-based compensation programs	**32,424**	19,911	12,829
Deferred income taxes	**181,285**	4,269	(42,789)
Sale of assets and legal settlements, net	**(27,562)**	(2,909)	34,936
Acquired research and development		114,251	3,400
Changes in operating assets and liabilities:			
Accounts receivable	**(2,572)**	(58,332)	14,399
Inventories	**(22,372)**	1,466	4,398
Prepaid expenses and other assets	**(4,616)**	(9,037)	9,638

Accounts payable and other liabilities	**19,561**	26,161	(79,221)
Net Cash Provided by Operating Activities of Continuing Operations	**502,951**	342,984	278,814
Net Cash Provided (Used) by Operating Activities of Discontinued Operations	**12,900**		(135)
Investing Activities of Continuing Operations			
Additions to property, plant and equipment, net	**(53,250)**	(62,560)	(46,077)
Proceeds from maturities of available-for-sale investments	**143,094**	274,928	317,008
Proceeds from sales of available-for-sale investments	**541,404**	422,273	313,482
Purchases of available-for-sale investments	**(241,121)**	(918,183)	(495,748)
Acquisitions and investments, net of cash acquired	**(214,798)**	(121,791)	(279,133)
Investment in alliance activity	**(2)**	(1,853)	(3,925)
Proceeds from the sale of assets, net	**46,778**	372	34,985
Net Cash Provided (Used) by Investing Activities of Continuing Operations	**222,105**	(406,814)	(159,408)
Financing Activities			
Proceeds from loan payable	**100,000**		
Payments on loans payable and debt	**(10,622)**		(72)
Dividends	**(29,851)**	(31,079)	(23,957)

Purchases of common stock for treasury	**(601,505)**	(168,640)	(601,910)
Proceeds from stock issued for stock plans and other	**90,219**	136,375	164,442
Net Cash Used by Financing Activities	**(451,759)**	(63,344)	(461,497)
Effect of Exchange Rate Changes on Cash	**(20,370)**	16,186	(2,984)
Net Change in Cash and Cash Equivalents	**265,827**	(110,988)	(345,210)
Cash and Cash Equivalents Beginning of Year	**323,203**	434,191	779,401
Cash and Cash Equivalents End of Year	**$589,030**	$323,203	$434,191

See accompanying notes to Applied Biosystems Inc.' s consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Applied Biosystems Inc.

(Dollar amounts in thousands)	Applied Biosystems Stock	Celera Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at June 30, 2005	$ 2,130	$743	$2,132,364	$558,065	$ (41,787)	$(307,432)	$ 2,344,083
Comprehensive income							
Net income				212,492			212,492
Other comprehensive income (See Note 14)					82,734		82,734
Comprehensive income							295,226
Cash dividends declared on Applied Biosystems stock				(31,660)			(31,660)
Purchase of shares for treasury stock						(601,910)	(601,910)
Issuances under Applied Biosystems stock	2		5,431	(24,794)		163,312	143,951
Issuances under Celera stock plans		30	25,107			(277)	24,860
Tax benefit related to employee stock options			16,956				16,956
Share-based compensation			12,701	34		93	12,828
Balance at June 30, 2006	2,132	773	2,192,559	714,137	40,947	(746,214)	2,204,334
Comprehensive income							

Net income				159,300			159,300
Other comprehensive income (See Note 14)					22,115		22,115
Comprehensive income							181,415
Adoption of SFAS No. 158 (See Note 6)					(51,699)		(51,699)
Cash dividends declared on Applied Biosystems stock				(31,121)			(31,121)
Purchase of shares for treasury stock						(168,640)	(168,640)
Issuances under Applied Biosystems stock	1		(5,662)	12,348		113,529	120,216
Issuances under Celera stock plans		17	15,778	(2)		(79)	15,714
Tax benefit related to employee stock options			25,924				25,924
Share-based compensation			19,773	59		79	19,911
Balance at June 30, 2007	2,133	790	2,248,372	854,721	11,363	(801,325)	2,316,054
Comprehensive income							
Net income				**213,808**			**213,808**
Other comprehensive loss (See Note 14)					**(7,168)**		**(7,168)**
Comprehensive income							**206,640**
Adoption of FIN 48 (See Note 5)				**33,963**			**33,963**
Cash dividends declared on Applied Biosystems stock				**(29,284)**			**(29,284)**

Purchase of shares for treasury stock						(601,505)	(601,505)
Issuances under Applied Biosystems stock	1		(12,077)	2,355		91,711	81,990
Issuances under Celera stock plans		11	8,069				8,080
Tax benefit related to employee stock options			16,112				16,112
Share-based compensation			31,132	684		608	32,424
Balance at June 30, 2008	$ 2,134	$801	$2,291,608	$1,076,247	$ 4,195	$(1,310,511)	$ 2,064,474

See accompanying notes to Applied Biosystems Inc.' s consolidated financial statements.

Note 1–Accounting Policies and Practices

Organization

Applied Biosystems Inc., formerly known as Applera Corporation, is a life sciences company with a mission to improve human health and society by understanding and applying the power of biology to develop breakthrough research technologies and diagnostic products. Through July 1, 2008, we conducted our business through two business segments: the Applied Biosystems group and the Celera group. We collectively refer to the Applied Biosystems group and the Celera group as the groups. We have reclassified some prior year amounts for comparative purposes. See Note 17 to our consolidated financial statements for more information on our segments.

On August 8, 2007, we announced that our board of directors had retained Morgan Stanley & Co. Incorporated to explore alternatives to our tracking stock structure, including the possibility of creating independent publicly-traded companies in place of the Applied Biosystems group and the Celera group. Further to that announcement, on July 1, 2008, we completed the separation of all of the business, assets, and liabilities of the Celera group from our remaining business. The separation was completed by means of a redemption of each outstanding share of Celera stock in exchange for one share of common stock of Celera Corporation, a Delaware corporation, which now holds all of the business, assets, and liabilities previously attributed to the Celera group. On July 1, 2008, following the Celera group separation, Celera Corporation became an independent, publicly-traded company whose shares are listed on the NASDAQ stock market under the symbol "CRA." The Applied Biosystems group became our only business and Applied Biosystems stock became our only class of outstanding common stock. In connection with the Celera separation, we changed our corporate name to Applied Biosystems Inc. to reflect the remaining business of the Company following the separation.

In this document, unless the context requires otherwise, references to "Company," "we," "us," or "our" for periods ended on or before July 1, 2008, refer to Applera Corporation, and references to "Company," "we," "us," or "our" for periods ended after July 1, 2008, refer to Applied Biosystems Inc., after giving effect to the separation of the Celera group and the name change discussed in further detail above.

Principles of Consolidation

We include the accounts of the Company and all of our majority-owned subsidiaries that we control in our consolidated financial statements. We have eliminated all significant intracompany transactions and balances in consolidation.

Use of Estimates

We prepare our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America, or GAAP. In preparing these statements, we are required to use estimates and assumptions. While we believe we have considered all available information, actual results could affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods.

Capital Structure

In fiscal 1999, as part of a recapitalization of our Company, we created two classes of common stock: Applied Biosystems Group Common Stock ("Applied Biosystems stock") and Celera Group Common Stock ("Celera stock"). These two classes of stock, sometimes referred to as "tracking" stocks, were intended to "track" or reflect the relative performance of the Applied Biosystems group and the Celera group, respectively. There was no single security that represented the performance of the Company as a whole. On July 1, 2008, we completed the separation of all of the business, assets, and liabilities of the Celera group into an independent publicly-traded company as discussed above.

The Applied Biosystems group and the Celera group were not separate legal entities, and holders of Applied Biosystems stock and holders of Celera stock were all stockholders of the Company. As a result, holders of these stocks were subject to all of the risks associated with an investment in the Company and all of its businesses, assets, and liabilities. The Applied Biosystems group and the Celera group did not have separate boards of directors. The Company had one board of directors, which made any decision in accordance with its good faith business judgment that the decision was in the

On June 12, 2008, we and Invitrogen Corporation announced that our respective boards of directors had approved a definitive merger agreement under which Invitrogen will acquire all of the outstanding shares of Applied Biosystems stock. See Note 4 to our consolidated financial statements for more information on the pending merger.

best interests of the Company and all of its stockholders as a whole.

Financial effects arising from one group that affect our consolidated results of operations or consolidated financial position could, if significant, affect the results of operations or financial position of the other group and the per share market price of the class of common stock relating to the other group. Any net losses of the Applied

Biosystems group or the Celera group and dividends or distributions on, or repurchases of, Applied Biosystems stock or Celera stock or repurchases of preferred stock of the Company will reduce the assets of the Company legally available for payment of dividends.

Recently Issued Accounting Pronouncements

In April 2008, the Financial Accounting Standards Board ("FASB") Staff Position ("FSP") No. 142-3, Determination of the Useful Life of Intangible Assets, was finalized. FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. The Position applies to intangible assets that are acquired individually or with a group of other assets and to both intangible assets acquired in business combinations and asset acquisitions. FSP 142-3 is effective for our third quarter of fiscal 2009. We are currently evaluating the provisions of FSP 142-3 and the resulting impact of adoption on our financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment to FASB Statement No. 133." SFAS No. 161 is intended to help investors better understand how derivative instruments and hedging activities affect an entity' s financial position, financial performance and cash flows through enhanced disclosure requirements. The provisions of SFAS No. 161 are effective for our third quarter of fiscal 2009, with early adoption permitted.

In December 2007, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") on Issue No. 07-1, "Accounting for Collaborative Arrangements." EITF 07-1 defines collaborative arrangements and establishes reporting and disclosure requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. The provisions of EITF 07-1 are effective for our 2010 fiscal year, beginning July 1, 2009.

In June 2007, the FASB ratified the consensus reached by the EITF on Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF 06-11 states that an entity should recognize a realized should be applied prospectively to income tax benefits of dividends on equity-classified share-based payment awards that are declared in fiscal years beginning after December 15, 2007. The provisions of EITF 06-11 are effective for our 2009 fiscal year, beginning July 1, 2008. Adoption of EITF 06-11 will have no impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115," which permits entities to measure some financial assets and liabilities at fair value on an instrument-by-instrument basis. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. SFAS No. 159 also establishes additional disclosure requirements. The provisions of SFAS No. 159 are effective for our 2009 fiscal year beginning July 1, 2008. We are currently assessing the provisions of SFAS No. 159 to determine if there is an impact of adoption on our financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for our 2009 fiscal year beginning July 1, 2008, and interim periods within that fiscal year. We are currently assessing the impact of the adoption of the provisions of SFAS No. 157 on our financial statements.

Earnings (Loss) per Share

We compute basic earnings (loss) per share for each class of common stock using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared and participation rights in undistributed earnings. To calculate basic earnings (loss) per share for each class of common stock, we divide the earnings (losses) allocated to each class of common stock by the weighted average number of outstanding shares of that class of common stock. Diluted earnings (loss) per share is calculated using the weighted average number of outstanding shares of that class of common stock adjusted to include the dilutive

tax benefit associated with dividends or dividend equivalents on nonvested equity shares, nonvested equity share units, and outstanding equity share options charged to retained earnings as an increase in capital in excess of par value. The amount recognized in capital in excess of par value should be included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards. EITF 06-11

effect of common stock equivalents. Dilutive common stock equivalents primarily consist of employee stock options.

Our board of directors approves the method of allocating earnings to each class of common stock for purposes of calculating earnings (loss) per share. This determination is based on the net income or loss amounts of the corresponding group calculated in accordance with GAAP, consistently applied. We believe this method of allocation is systematic and reasonable. Our board of directors can, in its discretion, change the method of allocating earnings (losses) to each class of common stock at any time.

The following table presents a reconciliation of basic and diluted earnings (loss) per share for the fiscal years ended June 30:

	Applied Biosystems Group			Celera Group		
(Amounts in millions except per share amounts)	**2008**	2007	2006	**2008**	2007	2006
Income (loss) from continuing operations	**$316.6**	$170.9	$275.1	**$(102.6)**	$(19.8)	$(62.7)
Allocated intercompany profit (loss)	**(0.2)**	(0.3)	0.1			
Total income (loss) from continuing operations allocated	**316.4**	170.6	275.2	**(102.6)**	(19.8)	(62.7)
Less dividends declared on common stock	**29.3**	31.2	31.7			
Undistributed earnings (loss)	**$287.1**	$139.4	$243.5	**$(102.6)**	$(19.8)	$(62.7)
Allocation of basic earnings (loss) per share						
Basic distributed earnings per share	**$0.17**	$0.17	$0.17	**$–**	$–	$–
Basic undistributed earnings (loss) per share	**1.66**	0.76	1.30	**(1.29)**	(0.25)	(0.83)
Total basic earnings (loss) per share from continuing operations	**$1.83**	$0.93	$1.47	**$(1.29)**	$(0.25)	$(0.83)
Allocation of diluted earnings (loss) per share						
Diluted distributed earnings per share	**$0.16**	$0.16	$0.17	**$–**	$–	$–
Diluted undistributed earnings (loss) per share	**1.62**	0.74	1.26	**(1.29)**	(0.25)	(0.83)
Total diluted earnings (loss) per share from continuing operations	**$1.78**	$0.90	$1.43	**$(1.29)**	$(0.25)	$(0.83)
Weighted average number of common shares						

Basic	**172.8**	183.2	187.0	**79.5**	78.3	75.5
Common stock equivalents	**5.2**	7.0	4.9			
Diluted	**178.0**	190.2	191.9	**79.5**	78.3	75.5

Options to purchase shares at exercise prices greater than the average market prices of our two classes of common stock were excluded from the computation of diluted earnings per share because the effect was antidilutive. Additionally, options and warrants to purchase shares of Celera stock were excluded from the computation of diluted loss per share because the effect was antidilutive. The following table presents the number of shares excluded from the diluted earnings and loss per share computations at June 30:

(Shares in millions)	**2008**	2007	2006
Applied Biosystems stock	**5.8**	6.5	5.2
Celera stock	**6.6**	7.3	8.1

Share-Based Compensation

Under our share-based compensation plans, we issue stock options, restricted stock and restricted stock units. We also sponsor an employee stock purchase plan. See Note 8 to our consolidated financial statements for further information. Effective July 1, 2005, we adopted the provisions of SFAS No. 123, "Share-Based Payment (revised 2004)," for all of our share-based compensation plans. SFAS No. 123R requires entities to measure and recognize the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. We adopted SFAS No. 123R using the modified prospective method of transition. This method requires us to apply the provisions of SFAS No. 123R to new awards from and after our adoption date and to any awards that were unvested as of our adoption date, but did not require prior periods to be restated. For our stock option and restricted stock plans, compensation expense is recognized on a straight-line basis over the requisite service period for the entire grant. We recognize expense for our employee stock purchase plans as costs are incurred. Total share-based compensation expense and the earnings per share effects under the provisions of SFAS No. 123R for the fiscal years ended June 30 were as follows:

	Applied Biosystems Stock			Celera Stock		
(Dollar amounts in millions except per share amounts)	**2008**	2007	2006	**2008**	2007	2006
Pre-tax share-based compensation expense	**$25.2**	$16.5	$11.2	**$ 6.8**	$ 3.3	$ 1.5
Tax benefit	**8.0**	4.9	3.4	**2.1**	0.9	0.3
Net expense	**$17.2**	$11.6	$ 7.8	**$ 4.7**	$ 2.4	$ 1.2
Basic earnings per share	**$0.10**	$0.06	$0.04	**$0.06**	$0.03	$0.02
Diluted earnings per share	**0.10**	0.06	0.04	**0.06**	0.03	0.02

Cash received from option exercises under these plans was $90.2 million for fiscal 2008, $136.4 million for fiscal 2007 and $164.4 million for fiscal 2006 and the total intrinsic value of awards exercised and released was $53.8 million for fiscal 2008, $82.1 million for fiscal 2007 and $55.8 million for fiscal 2006. In connection with these exercises, we realized a tax benefit of $16.1 million for fiscal 2008, $25.9 million for fiscal 2007 and $17.0 million for fiscal 2006.

We estimate the fair value of our options using the Black-Scholes option pricing model, which was developed for use in estimating the value of freely-traded options that have no vesting restrictions and are fully transferable. Similar to other option pricing models, this model requires the input of highly-subjective assumptions, including the stock price volatility. Our options have characteristics significantly different from traded options, and changes in the input assumptions can materially affect the fair value estimates. The fair value of the options was estimated at the grant date with the following weighted average assumptions for the fiscal years ended June 30:

	2008	2007	2006
Applied Biosystems Group			
Dividend yield	**0.5%**	0.5%	0.7%
Volatility	**21%**	21%	24%
Risk-free interest rate	**3.8%**	4.7%	4.5%
Expected option life in years	**4**	4	4
Weighted average fair value per option granted	**$7.36**	$8.03	$6.31
Celera Group			
Volatility	**33%**	32%	35%
Risk-free interest rate	**3.8%**	4.6%	4.3%
Expected option life in years	**5**	5	5

exchange rates when assets and liabilities are denominated in currencies other than the functional currency of an entity, are included in net income. Net transaction gains were $3.6 million for fiscal 2008, $6.7 million for fiscal 2007, and $5.7 million for fiscal 2006. Net transaction gains and losses include the gains and losses on the revaluation of non-functional currency-denominated net assets offset by the losses and gains on non-qualified hedges on these positions. See Note 12 to our consolidated financial statements for further information on our hedging program.

Derivative Financial Instruments

The Company recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative' s gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings when the hedge exposure effects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For derivative instruments that are not designated as accounting hedges, changes in fair value are recognized in earnings in the period of change. See Note 12 to our consolidated financial statements for further information related to our derivative financial instruments.

Cash and Cash Equivalents and Short-Term Investments

Our cash equivalents consist of highly liquid debt instruments, time deposits, and certificates of deposit with original maturities of three months or less at the date of purchase. These instruments are readily convertible into cash.

All short-term investments are classified as available-for-sale and are carried at fair value with unrealized gains and losses included as a separate component of stockholders' equity, net of any related tax effect. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because these marketable securities represent the investment of cash that is readily available for current operations should it be needed. We use the specific identification method to determine the cost of

Weighted average fair value per option granted	**$5.38**	$5.51	$4.36

We determine the expected term of our options based on historical exercise patterns, which factor in the historical weighted average holding period from grant date to settlement date and from vest date to exercise date. We use the historical exercise patterns to project future settlement of outstanding options. Our forfeiture assumption rates are based on historical experience.

We determined expected volatility over the expected term based on historical volatilities of our two classes of common stock. In addition, we use a mean reversion analysis, which we believe provides a better estimate of current and future volatility rate expectations for our classes of stock.

Foreign Currency

We translate assets and liabilities of foreign operations, where the functional currency is the local currency of the foreign operation, into U.S. dollars at the fiscal year-end currency rates. We record the related translation adjustments as a separate component of accumulated other comprehensive income in the Consolidated Statements of Financial Position. We translate foreign currency revenues and expenses using average currency rates prevailing during the fiscal year. Foreign currency transaction gains and losses, resulting from fluctuations in securities disposed of, with realized gains and losses recorded in other income (expense), net in the Consolidated Statements of Operations.

The fair value of short-term investments and unrealized gains (losses) at June 30 was as follows:

(Dollar amounts in millions)	2008	2007
Certificates of deposit and time deposits	**$20.7**	$34.5
Commercial paper	**24.9**	44.7
U.S. government and agency obligations	**45.8**	142.9
Corporate bonds	**152.9**	326.6
Asset backed securities	**43.4**	184.1
Total short-term investments	**$287.7**	$732.8
Unrealized gains on investments	**$0.2**	$0.3
Unrealized losses on investments	**(2.8)**	(1.6)

The realized gains and losses associated with our short-term investments for the fiscal years ended June 30 were as follows:

(Dollar amounts in millions)	2008	2007	2006
Realized gains on investments	**$ 1.2**	$0.5	$ 0.1
Realized losses on investments	**(1.1)**		(0.1)

The following table summarizes the contractual maturities of available-for-sale securities at June 30:

(Dollar amounts in millions)	2008

In fiscal 2008, we recorded a pre-tax charge of $3.1 million for an other-than-temporary impairment of a publicly traded non-strategic minority equity investment. The impairment charge resulted from a number of factors that were assessed, including the duration of the decline in market value, the financial condition, and future prospects for the investee.

Inventories

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market. Cost is determined principally on the standard cost method for manufactured goods which approximates cost on the first-in, first-out method. Reserves for obsolescence and excess inventory are provided based on historical experience and estimates of future product demand. Inventories included the following components at June 30:

(Dollar amounts in millions)	2008	2007
Raw materials and supplies	**$58.3**	$49.0
Work-in-process	**14.6**	7.2
Finished products	**97.4**	84.1
Total inventories, net	**$170.3**	$140.3

Property, Plant and Equipment, and Depreciation

Property, plant and equipment are recorded at cost and consisted of the following at June 30:

(Dollar amounts in millions)	2008	2007
Land and improvements	**$118.1**	$116.7
Buildings and leasehold improvements	**302.3**	291.3
Machinery and equipment	**294.7**	282.7

Less than one year	**$110.5**
Due in one to two years	**88.3**
Due in two to five years	**88.9**
Total	**$287.7**

We also held securities that were classified as trading totaling $34.0 million at June 30, 2008, and $35.6 million at June 30, 2007, which were recorded at fair value with realized and unrealized gains and losses included in income. These securities were recorded in other current assets. Included in income were unrealized net holding losses of $2.1 million during fiscal 2008 and unrealized net holding gains of $5.1 million during fiscal 2007 and $2.6 million during fiscal 2006.

Investments

We classify investments for which we do not have the ability to exercise significant influence as minority equity investments. We account for non-marketable minority equity investments using the cost method of accounting. We generally classify minority equity investments in public companies as available-for-sale and carry them at market value in accordance with SFAS No. 115, ‘‘Accounting for Certain Investments in Debt and Equity Securities.’’ We use the specific identification method to determine the cost of securities disposed of. Under the cost method of accounting, we carry investments in equity securities at cost and adjust only for other-than-temporary declines in fair value, distributions of earnings and additional investments.

Computer software and licenses	**163.3**	158.4
Property, plant and equipment, at cost	**878.4**	849.1
Accumulated depreciation and amortization	**507.0**	458.3
Property, plant and equipment, net	**$371.4**	$390.8

We capitalize major renewals and improvements that significantly add to productive capacity or extend the life of an asset. We expense repairs, maintenance, and minor renewals and improvements as incurred. We remove the cost of assets and related depreciation from the related accounts on the balance sheet when assets are disposed of, and any related gains or losses are reflected in current earnings.

We compute depreciation expense of owned property, plant and equipment based on the expected useful lives of the assets primarily using the straight-line method. We amortize leasehold improvements over their estimated useful lives or the term of the applicable lease, whichever is less. Useful lives are generally five to ten years for land improvements, 30 to 40 years for buildings, and three to seven years for machinery and equipment. We amortize capitalized internal-use software costs primarily over the

expected useful lives, not to exceed seven years. Depreciation expense for property, plant and equipment was $66.9 million for fiscal 2008, $64.8 million for fiscal 2007, and $73.8 million for fiscal 2006.

Capitalized Software

We capitalize and include in other long-term assets software development costs for software used in our products which are incurred from the time technological feasibility of the software is established until the software is ready for its intended use. We amortize these costs using the straight-line method over a maximum of three years or the expected life of the product, whichever is less. Capitalized software costs, net of accumulated amortization, were $0.3 million at June 30, 2008, and $2.5 million at June 30, 2007. Amortization expense was $2.0 million in fiscal 2008, $1.3 million in fiscal 2007, and $1.6 million in fiscal 2006. We expense R&D costs and other computer software maintenance costs related to software development as incurred.

Intangible Assets

We amortize intangible assets using the straight-line method over their expected useful lives, except for customer relationship intangibles. We amortize customer relationship intangibles on a proportionate basis as the economic benefits of the intangible assets are consumed. In determining the useful life of the customer relationship intangibles, we assumed a number of factors, including the customer base and attrition rates, including our ability to renew or extend our relationships with existing customers, as well as any legal, regulatory or contractual provisions that may limit the useful life. Intangible assets at June 30 included the following:

		2008		2007	
(Dollar amounts in millions)	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets					
Acquired technology	**6**	**$52.5**	**$21.7**	$32.8	$13.3
Patents	**10**	**30.1**	**26.4**	29.9	25.1
Customer relationships	**12**	**112.3**	**14.4**	27.1	5.2
Other	**4**	**2.7**	**1.3**	1.7	0.7
Total amortized intangible assets		**197.6**	**63.8**	91.5	44.3
Unamortized intangible assets					
Trademarks and trade names		**28.7**		4.9	

Total	**$226.3**	**$63.8**	$96.4	$44.3

In connection with our acquisitions, we acquired trademarks and trade names that we determined to be indefinitely lived. In connection with the acquisition of Berkeley HeartLab, Inc. (“BHL”), Atria Genetics Inc. (“Atria”) and the Research Products Division of Ambion Inc. (“Ambion”), we acquired the Berkeley, Atria and Ambion trade names. These intangible assets are tested for impairment as part of our annual goodwill impairment test as discussed below. See Note 3 to our consolidated financial statements for more information on these acquisitions.

Aggregate amortization expense for the fiscal years ended June 30 was as follows:

(Dollar amounts in millions)	**2008**	2007	2006
Applied Biosystems group	**$12.3**	$13.0	$6.4
Celera group	**7.2**		
Consolidated	**$19.5**	$13.0	$6.4

We record amortization expense in cost of sales except for amortization of acquisition-related intangible assets which is recorded in the amortization of purchased intangible assets in the Consolidated Statements of Operations. At June 30, 2008, we estimated annual amortization expense of our intangible assets for each of the next five fiscal years as shown in the following table. Future acquisitions or impairment events could cause these amounts to change.

(Dollar amounts in millions)	Applied Biosystems Group	Celera Group	Consolidated
2009	**$ 12.0**	**$10.2**	**$ 22.2**
2010	**9.5**	**10.3**	**19.8**
2011	**6.2**	**10.2**	**16.4**
2012	**5.0**	**10.1**	**15.1**
2013	**3.0**	**9.2**	**12.2**

Goodwill

Goodwill represents the excess of purchase price over the net asset value of companies acquired. We test goodwill for impairment using a fair value approach at the reporting unit level annually, or earlier if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our reporting units are the Applied Biosystems group and the Celera group. Under the impairment test, if a reporting unit' s carrying amount exceeds its estimated fair value, goodwill impairment is recognized to the extent that the reporting unit' s carrying amount of goodwill exceeds the implied fair value of the goodwill.

The carrying amount of goodwill at June 30 was as follows:

(Dollar amounts in millions)	Applied Biosystems Group	Celera Group	Consolidated
Balance as of June 30, 2007	$243.2	$2.7	$245.9
Goodwill acquired		**113.6**	**113.6**
Balance as of June 30, 2008	**$243.2**	**$116.3**	**$359.5**

Refer to Note 3 to our consolidated financial statements for information on the goodwill we acquired in connection with the BHL and Atria acquisitions.

Impairment of Long-Lived Assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events that could trigger an impairment review include, among others, a decrease in the market value of an asset, an asset' s inability to generate income from operations and positive cash flow in future periods, a decision to change the manner in which an asset is used, a physical change to an asset or a change in business climate. We calculate estimated future undiscounted cash flows, before interest and taxes, resulting from the use of the asset and its estimated value at disposal and compare subject to warranty. The product warranty accrual covers parts and labor for repairs and replacements covered by our product warranties. We periodically review the adequacy of our warranty reserve, and adjust, if necessary, the warranty percentage and accrual based on actual experience and estimated costs to be incurred.

The following table provides the analysis of the warranty reserve for the fiscal years ended June 30:

(Dollar amount in millions)	**2008**	2007
Beginning of year	**$12.1**	$10.6
Accruals for warranties	**19.7**	17.0
Usage of reserve	**(16.9)**	(15.8)
Other*	**(1.1)**	0.3
End of year	**$13.8**	$12.1

*Other consists of accrual adjustments to reflect actual experience and currency translation.

Revenues and Allowance for Doubtful Accounts

We record revenue on entering into a final agreement with the customer that includes the specific nature and terms of the revenue-generating activity and for which collectibility is reasonably assured, which is generally at the time of shipment of products or performance of services. Concurrently, we record provisions for warranty, returns, and installation based on historical experience and anticipated product performance. Discounts are recorded as sales reductions concurrently with the applicable sale. Cash discounts are recorded as sales reductions on our receipt of the sales proceeds. Deferred revenues consist of prepayments for trade-ins and service contracts. Revenue is not recognized at the time of shipment of products in situations where risks and rewards of ownership are transferred to the customer at a point other than shipment

it to its carrying value in determining whether impairment potentially exists. If a potential impairment exists, a calculation is performed to determine the fair value of the long-lived asset. This calculation is based on a valuation model and discount rate commensurate with the risks involved. Third party appraised values may also be used in determining whether impairment potentially exists.

Product Warranties

We accrue warranty costs for product sales at the time of shipment based on historical experience as well as anticipated product performance. Our product warranties extend over a specified period of time ranging up to two years from the date of sale depending on the product

due to the shipping terms, the existence of an acceptance clause, the achievement of milestones, or some return or cancellation privileges. Revenue is recognized once customer acceptance occurs or the acceptance provisions lapse. Service revenue is recognized over the period services are performed. Amounts billed to customers related to shipping and handling are included in net revenues, whereas shipping and handling costs are included in cost of sales.

In revenue arrangements with multiple deliverables, we record revenue as the separate elements are delivered to the customer if the delivered item is determined to represent a separate earnings process, there is objective and reliable evidence of the fair value of the undelivered item, and delivery or performance of the undelivered item is probable and substantially in our control. For instruments where installation is determined to be a separate earnings process, the portion of the sales price allocable to the fair value of the installation is deferred and recognized when installation is complete. We determine the fair value of the installation process based on technician labor billing rates, the expected number of hours to install the instrument based on historical

experience, and amounts charged by third parties. Arrangements with multiple elements or deliverables are segmented into individual units of accounting based on the separate deliverables only if there is objective and verifiable evidence of fair value to allocate the consideration received to the deliverables. Revenues from multiple-element arrangements involving license fees, up-front payments and milestone payments, which are received and/or billable in connection with other rights and services that represent our continuing obligations are deferred until all of the multiple elements have been delivered or until objective and verifiable evidence of the fair value of the undelivered elements has been established. On establishing objective and verifiable evidence of the fair value of the elements in multiple-element arrangements, the fair value is allocated to each element of the arrangement, such as license fees or research collaboration projects, based on the relative fair values of the elements. We determine the fair value of each element in multiple-element arrangements based on objective and verifiable evidence of fair value, which is determined for each element based on the prices charged when the similar elements are sold separately to third parties. If objective and verifiable evidence of fair value of all undelivered elements exists but objective and verifiable evidence of fair value does not exist for one or more delivered elements, then revenue is recognized using the residual method. Under the residual method, the revenues from delivered elements are not recognized until the fair value of the undelivered element or elements has been determined. Contract interpretation is normally required to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes, and if so, how the price should be allocated among the deliverable elements, when to begin to recognize revenue for each element, and the period over which revenue should be recognized.

We recognize royalty revenues when earned over the term of the agreement in exchange for the grant of licenses to use our products or some technologies for which we hold patents. We recognize revenue for estimates of royalties earned during the applicable period, based on historical activity, and make revisions for actual royalties received in the following quarter. For those arrangements where royalties cannot be

A portion of the Celera group' s reported net product revenues include our product sales to Abbott Laboratories and equalization payments we receive from Abbott resulting from a profit and loss sharing arrangement between the Company and Abbott. Costs associated with our product sales to Abbott are included in cost of sales. End-user sales to third parties are recognized by Abbott. Research and development and administrative costs incurred by us in connection with the Abbott alliance are presented on a gross basis in our Consolidated Statements of Operations. All revenues, costs and expenses of the alliance are shared equally by both parties. At the end of each reporting period, the two companies compare a statement of revenues and expenses for alliance activities recorded by each party. A calculation is made to determine the amount that needs to be paid to evenly split both the revenue and expenses. This payment is referred to as the equalization payment and is recorded as revenue by the Celera group. The timing and nature of equalization payments can lead to fluctuations in both reported revenues and gross margins from period to period due to changes in end-user sales of alliance products and differences in relative operating expenses between the alliance partners.

Also, a portion of the Celera group' s reported net revenues include patient test service revenues associated with BHL' s operations. We recognize patient test service revenues on completion of the testing process and when the test results are sent to the ordering healthcare provider. Billings for services reimbursed by third-party payors, including Medicare, are recorded net of allowances for differences between amounts billed and the estimated receipts from these payors. These allowances are determined based on historical activity. Since the date of acquisition of BHL through June 30, 2008, revenue from Medicare patients represented approximately 39% of the total BHL patient test service revenues. Payment arrangements with third parties, such as Medicare and some insurance companies, include predetermined reimbursement rates for patient tests. Adjustments to the estimated receipts, based on final settlement with the third-party payors, including Medicare, are recorded in revenue on settlement.

We have an established process to estimate and review the collectibility of our receivables. Bad debt expense is recorded in SG&A expenses as a percentage of aged accounts

reasonably estimated, we recognize revenue on the receipt of cash or royalty statements from our licensees. In addition, we recognize up-front nonrefundable license fees when due under contractual agreement, unless we have specific continuing performance obligations requiring deferral of all or a portion of these fees. We have adopted the provisions of Statement of Position (‘‘SOP’’) 97-2, ‘‘Software Revenue Recognition’’ for license fees with extended terms. Specifically, if it cannot be concluded that a licensee fee is fixed or determinable at the outset of an arrangement, revenue is recognized as payments from third parties become due.

receivable considered necessary to maintain an appropriate level of allowance for doubtful accounts. Receivables are reserved based on their respective aging categories. Our process for determining the appropriate level of the allowance for doubtful accounts involves judgment, and considers the age of the underlying receivables, type of payor, historical and projected collection experience, current economic and business conditions, and other external factors that could affect the collectibility of receivables. The allowance for doubtful accounts is reviewed for adequacy, at a minimum, on a

quarterly basis. An account is written-off against the allowance for doubtful accounts when reasonable collection efforts have been unsuccessful and it is probable the receivable will not be recovered or the account has been transferred to a third party collection agency.

Income Taxes

Deferred taxes represent the difference between the tax bases of assets or liabilities, calculated under tax laws, and the reported amounts in our consolidated financial statements. Deferred tax assets include items that can be used as a tax deduction or credit in our tax return in future years for which we have already recorded the tax benefit in our consolidated statements of operations or items that have already been included in our tax return income but have yet to be recorded as income in our consolidated statements of operations. We record a valuation allowance against deferred tax assets if it is more likely than not that we will not be able to utilize these assets to offset future taxes.

Research and Development

We expense research and development costs as incurred. Research and development costs incurred for collaborations where there are specific product deliverables, service meeting defined performances or other design specifications, are recorded in cost of sales. Research and development expenses include employee-related costs, supplies and materials, facilities costs, equipment depreciation, contract services, and other outside costs.

Supplemental Cash Flow Information

Cash paid for interest and income taxes and significant non-cash investing and financing activities for the fiscal years ended June 30 were as follows:

(Dollar amounts in millions)	**2008**	2007	2006
Interest	**$8.7**	$0.6	$0.1
Income taxes, net of refunds	**18.2**	48.3	48.6

Note 2–Events Impacting Comparability

We are providing the following information on some actions taken by us or events that occurred during the fiscal years ended June 30:

Income/(charge) (Dollar amounts in millions)	**2008**	2007	2006
Severance and benefit costs	**$(10.2)**	$(0.5)	$(14.3)
Asset impairments	**(1.1)**	(6.8)	(10.9)
Excess lease space	**(0.9)**		(1.2)
Other charges	**(15.4)**	(3.6)	(2.6)
Reduction of expected costs	**0.3**	0.6	2.5
Total employee-related charges, asset impairments, and other	**$(27.3)**	$(10.3)	$(26.5)
Other events impacting comparability:			
Revenue from sales of small molecule programs	**$–**	$2.5	$8.6
Asset dispositions and legal settlements	**8.7**	4.6	(11.3)
Acquired research and development		(114.3)	(3.4)
Investment gains, net	**24.5**		7.6
Tax items	**(83.5)**	25.2	50.2

Significant non-cash investing and financing activities:			
Tax benefit related to employee stock options	**16.1**	25.9	17.0
Dividends declared not paid	**7.2**	7.7	7.7
Issuances of restricted stock	**17.2**	13.3	3.1
Stock issued for which proceeds were in-transit	**0.2**	0.4	3.1

Employee-Related Charges, Asset Impairments, and Other

The following items have been recorded in the Consolidated Statements of Operations in employee-related charges, asset impairments and other, except as noted.

Fiscal 2008

During fiscal 2008, both the Applied Biosystems group and the Celera group recorded pre-tax charges of $3.7 million, $2.6 million of which was recorded in the fourth quarter of fiscal 2008, primarily for professional fees related to the separation of the Celera group from the Company. The Applied Biosystems group and the Celera group have agreed to share equally the costs incurred for the separation.

During the fourth quarter of fiscal 2008, the Applied Biosystems group recorded a pre-tax charge of $7.8 million for costs associated with the merger with Invitrogen.

Also during the fourth quarter of fiscal 2008, the Applied Biosystems group recorded pre-tax charges of $4.7 million for severance costs for 32 employees, some of whom were involved in the LC/MS product line, which is included in the Applied Biosystems/MDS SCIEX Instruments business, a 50/50 joint venture between the Applied Biosystems group and MDS Inc. Included in the $4.7 million charge was a charge of $0.7 million for severance costs related to the Applied Biosystems/MDS SCIEX Instruments business. The charges resulted from the realignment of the Applied Biosystems group to support its strategic growth priorities and the decision at MDS to resize and refocus its development process. All of the affected employees of the Applied Biosystems group

were notified by May 31, 2008, and are expected to be terminated by December 31, 2008. During the fourth quarter of fiscal 2008, we made cash payments of $0.6 million related to these charges. Cash expenditures were funded by cash provided by operating activities. The remaining cash expenditures of $4.1 million are expected to be paid by December 31, 2008.

Also during the fourth quarter of fiscal 2008, the Applied Biosystems group recorded pre-tax charges of $1.3 million, comprised of a $0.8 million charge in connection with the disposal of an aircraft and a $0.5 million related charge for severance costs for 5 employees. The Applied Biosystems group completed the sale of the aircraft in the fourth quarter of fiscal 2008. All of the affected employees were notified in the fourth quarter of fiscal 2008, and are expected to be terminated by the end of the first quarter of fiscal 2009.

Additionally during fiscal 2008, the Applied Biosystems group recorded a pre-tax charge of $2.9 million for severance costs for 41 employees. The charge resulted from the realignment of the Applied Biosystems group' s organization to support market dynamics and it plans on redirecting the savings into other strategic initiatives. All of the affected employees were notified as of December 31, 2007, and were terminated by June 30, 2008. During fiscal 2008, we made cash payments of $2.6 million related to this charge. In the fourth quarter of fiscal 2008, the Applied Biosystems group recorded a pre-tax benefit of $0.1 million for a reduction in anticipated employee-related costs associated with this charge. Cash expenditures were funded by cash provided by operating activities. The remaining cash expenditures of $0.2 million are expected to be paid by the end of September 2008.

During fiscal 2008, the Celera group recorded a pre-tax charge of $1.3 million for severance costs for approximately 30 employees. All of the affected employees were notified by March 31, 2008, and are expected to be terminated by the end of the first quarter of fiscal 2009. During fiscal 2008, we made net cash payments of $1.0 million related to this charge. Cash expenditures were funded by available cash. The remaining cash expenditures of $0.3 million are expected to be paid by the third quarter of fiscal 2009. This charge resulted from the realignment of the Celera group' s R&D resources and other activities in line with its current business activities.

proteomic-based activities. All of the affected employees were notified by October 31, 2007, and were terminated by the end of the fourth quarter of fiscal 2008. During fiscal 2008, we made net cash payments of $0.7 million related to the severance charge and $0.2 million related to the excess lease space charge. Cash expenditures were funded by available cash. The remaining cash expenditures of $0.1 million for the severance charge are expected to be paid by the end of the second quarter of fiscal 2009. The excess lease space charge represented the estimated cost of excess lease space less estimated future sublease income on a facility. The remaining cash expenditures of $0.7 million for the excess lease space charge are expected to be paid through April 2010. These charges resulted from the Celera group' s desire to improve its financial results, in part by lowering operating expenses.

Also during fiscal 2008, the Celera group recorded a pre-tax charge of $0.3 million in the fourth quarter of fiscal 2008 for the write-down of the carrying amount of an owned facility that was impaired initially in fiscal 2006 and a pre-tax charge of $0.6 million partially offset by a reduction of $0.2 million in the fourth quarter of fiscal 2008 related to the patent infringement suit with Innogenetics N.V. for which the original charge was recorded in fiscal 2007. All of these items are discussed below.

Fiscal 2007

During the fourth quarter of fiscal 2007, the Celera group recorded a pre-tax charge of $0.5 million for severance costs for approximately 20 employees. The charge resulted from a reduction in the Celera group' s proteomics-based activities. All of the affected employees were notified as of June 30, 2007, and were terminated by October 31, 2007. All cash expenditures related to this charge were disbursed by the end of fiscal 2008. Cash expenditures were funded by available cash.

Also during fiscal 2007, the Celera group recorded a pre-tax charge of $6.3 million, which was primarily comprised of $6.8 million of pre-tax charges for the write-downs of the carrying amount of an owned facility that was impaired initially in fiscal 2006, partially offset by a pre-tax benefit of $0.6 million for a reduction in anticipated employee-related costs associated

Also during fiscal 2008, the Celera group recorded pre-tax charges totaling $1.3 million related to a reduction in the Celera group' s proteomic-based activities. These charges were in addition to a charge recorded in the fourth quarter of fiscal 2007 described below. These charges were comprised of a $0.8 million charge for severance costs for approximately 20 employees and an excess lease space charge of $0.9 million, partially offset by a gain of $0.4 million from the disposal of equipment related to with severance and benefit charges recorded in fiscal 2006, as further discussed below.

During fiscal 2007, the Celera group recorded a pre-tax charge of $3.5 million for its estimated share of a damage award in continuing litigation between Abbott Laboratories, our alliance partner, and Innogenetics N.V. In September 2006, a jury found that the sale of Hepatitis C Virus ("HCV") genotyping analyte specific reagents ("ASRs") products by Abbott willfully infringed a U.S. patent owned by Innogenetics and awarded Innogenetics

$7.0 million in damages. In January 2007, the U.S. District Court for the Western District of Wisconsin ruled in favor of Innogenetics' request for a permanent injunction and ordered Abbott to withdraw its products from the market. The Court also reversed the jury verdict of willful infringement and ruled that Abbott did not willfully infringe Innogenetics' patent and denied Innogenetics' request for enhanced damages and attorneys' fees. Innogenetics did not name the Celera group as a party in this lawsuit, but the Celera group has an interest in these products and in the outcome of the litigation because the enjoined products are manufactured by the Celera group and sold through its alliance with Abbott. Also, as these products are part of its alliance with Abbott, the Celera group agreed to share equally the cost of this litigation, including the damage award described above. Abbott appealed the judgment. On January 17, 2008, the United States Court of Appeals for the Federal Circuit vacated the permanent injunction granted by the lower court for Innogenetics against Abbott in selling HCV genotyping products. Since the jury's damage award included an upfront entry fee, the Court remanded to the lower court to determine the terms of a compulsory license for Abbott's future sales. In addition, the Court remanded for a new trial on the validity of the Innogenetics patent in view of a prior-issued patent. The Court also affirmed the judgment of infringement and the judgment of no willful infringement. In April 2008, Abbott and Innogenetics settled the patent infringement suit and the Celera group recorded an additional pre-tax charge of $0.6 million in the third quarter of fiscal 2008. In the fourth quarter of fiscal 2008, the Celera group recorded a $0.2 million pre-tax reduction in litigation costs. The Celera group's share of the costs, including the initial pre-tax charge of $3.5 million recorded in fiscal 2007, was $3.9 million. In addition, through June 30, 2008, the Celera group recorded $2.9 million of legal fees in operating expenses associated with this litigation, $0.4 million of which were recorded in fiscal 2008.

Fiscal 2006

In fiscal 2006, the Applied Biosystems group recorded pre-tax charges of $1.5 million for employee terminations related to the Applied Biosystems/MDS SCIEX Instruments business. MDS recorded a restructuring charge for a reduction in workforce as part of its strategy to focus on the life sciences the agreement to sell the facility. The Applied Biosystems group completed the sale of the facility in fiscal 2006.

During fiscal 2006, the Celera group recorded pre-tax charges related to its decision to exit its small molecule drug discovery and development programs and the integration of Celera Diagnostics into the Celera group. Celera Diagnostics was a 50/50 joint venture between the Applied Biosystems group and the Celera group. Effective January 1, 2006, the Celera group acquired the Applied Biosystems group's 50 percent interest in the Celera Diagnostics joint venture. These charges consisted of the following components:

(Dollar amounts in millions)	Employee-Related Charges	Asset Impairments	Other	Total
Total charges	$12.8	$9.8	$3.8	$26.4
Cash payments	7.9		2.6	10.5
Non-cash activity		9.3	0.2	9.5
Balance at June 30, 2006	4.9	0.5	1.0	6.4
Additional charge		6.8		6.8
Non-cash activity		6.8		6.8
Cash payments	4.2		0.7	4.9
Reduction of expected costs	0.6			0.6
Balance at June 30, 2007	0.1	0.5	0.3	0.9
Additional charge		**0.3**		**0.3**

market. The $1.5 million represented the Applied Biosystems group' s share of the restructuring charge.

Also in fiscal 2006, the Applied Biosystems group recorded a $1.1 million pre-tax impairment charge to write-down the carrying amount of its San Jose, California facility to its then estimated current market value less estimated selling costs. This charge was in addition to the charge recorded in fiscal 2005 described below. In fiscal 2006, the Applied Biosystems group recognized a $0.9 million pre-tax favorable adjustment to the charges previously recorded based on the actual sales price per

Non-cash activity		0.3	0.3
Reduction of expected costs	0.1		0.1
Balance at June 30, 2008	$ –	$0.5	$0.3 $ 0.8

The employee-related charges were severance costs primarily for staff reductions in small molecule drug discovery and development. As of March 31, 2006, all of the affected employees were notified and by September 30, 2006, all were terminated. In fiscal 2007, the Celera group recorded a pre-tax benefit of $0.6 million for a reduction in anticipated employee-related costs associated with the severance and benefit charges recorded in fiscal 2006. The asset impairment charges primarily related to a write-down of the carrying amount of an owned facility to its then estimated current market value less estimated selling costs, as well as write-offs of leasehold improvements and equipment. This facility was reclassified into assets held for sale in fiscal 2006. In fiscal 2007, the Celera group recorded additional pre-tax charges of $6.8 million to write-down the carrying amount of this facility. In the fourth quarter of fiscal 2008, the Celera group recorded an additional pre-tax charge of $0.3 million relating to this facility. The estimates of market value for this facility were based on third-party appraisals. Cash expenditures for these charges were funded by available cash. The remaining required cash expenditures related to these charges are expected to be disbursed by June 30, 2009.

Fiscal 2005

During fiscal 2005, the Applied Biosystems group recorded pre-tax charges totaling $32.9 million for employee-related charges, excess lease space and asset impairments. The severance charges reflected the Applied Biosystems group' s decision to reduce and rebalance its workforce and were implemented as a result of a strategic and operational analysis conducted by management. All cash expenditures related to the employee-related portion of these charges were disbursed by the end of fiscal 2007. The asset impairment charges related to the write-down in value of the Applied Biosystems group' s facilities in San Jose, California, and Houston, Texas and the related cash expenditures were disbursed by the end of fiscal 2006. The excess lease space charges represented the estimated cost of excess lease space less estimated future sublease income for some leases on facilities in Massachusetts and California which extend through fiscal 2011. During fiscal 2008, the Applied Biosystems group made cash payments of approximately $1.0 million related to the excess lease space charges, which was funded by available cash. Over the course of the leases, additional pre-tax charges of $1.5 million, including $0.4 million recorded in the fourth quarter of fiscal 2008, were recorded in operating expenses to reserve for additional estimated costs under the leases. The remaining cash payments of $1.1 million as of June 30, 2008 related to the excess lease space charges are expected to be disbursed by fiscal 2011.

During fiscal 2005, the Celera group recorded pre-tax charges totaling $4.5 million related to its Paracel operations, which was acquired in fiscal 2000. Due to a shift in focus, Paracel was no longer deemed strategic to the overall business. These charges included a charge for severance and benefits costs. All cash payments related to these employee terminations were made as of June 30, 2006. Also, included in these charges was a charge for excess facility lease expenses for a lease that extends through fiscal 2011. During fiscal 2008, we made net cash payments of $0.7 million related to the excess lease space. The cash expenditures were funded by available cash. The remaining net cash expenditures related to the excess lease space of approximately $2.0 million are expected to be disbursed by fiscal 2011.

Asset dispositions and legal settlements

The following items have been recorded in the Consolidated Statements of Operations in asset dispositions and legal settlements.

Fiscal 2008

In fiscal 2008, the Applied Biosystems group recorded a $7.6 million pre-tax gain primarily related to a settlement and licensing agreement entered into with Stratagene Corporation and Agilent Technologies, Inc. (which acquired Stratagene), which resolved outstanding legal disputes with Stratagene.

Also in fiscal 2008, the Celera group recorded a $1.1 million pre-tax gain related to the settlement of a litigation matter associated with its former Online/Information Business, an information products and service business.

Fiscal 2007

In the fourth quarter of fiscal 2007, the Applied Biosystems group recorded a pre-tax benefit of $3.5 million from the receipt of past royalties from Bio-Rad Laboratories, Inc. under new and newly amended patent licenses. Also in fiscal 2007, the Applied Biosystems group recorded a $4.8 million pre-tax benefit related to the settlement of a patent infringement claim, a $3.0 million pre-tax benefit related to our collection from a third party of a portion of its liability relative to our settlement of a prior legal dispute, and a $9.1 million pre-tax charge related to a settlement agreement entered into with another company which resolved outstanding legal disputes with that company. The Celera group recorded a $2.4 million pre-tax benefit in fiscal 2007 related to the settlement of a litigation matter associated with the former Online/Information Business.

Fiscal 2006

In fiscal 2006, the Applied Biosystems group recorded a pre-tax charge of $35.0 million as a result of a settlement to resolve all outstanding legal disputes with Beckman Coulter regarding claims to some patented capillary electrophoresis and heated cover instrumentation technology. The Applied Biosystems group made the $35.0 million payment to Beckman Coulter in the fourth quarter of fiscal 2006 for rights to some Beckman Coulter technology and for the release of

Other Events Impacting Comparability

Revenue from the sales of small molecule programs

In fiscal 2007, the Celera group recorded $2.5 million in net revenues from the sale of a small molecule drug discovery and development program to Schering AG. The Celera group had recorded an initial $2.5 million in fiscal 2006 when the agreement for the sale of the program was executed. Additionally in fiscal 2006, the Celera group recorded $6.1 million in net revenues from the sales of other small molecule drug discovery and development programs, primarily to Pharmacyclics, Inc.

any and all claims of infringement relating to DNA sequencer and thermal cycler products. Commencing in July 2006, Beckman Coulter began making quarterly payments which will total $20.0 million over ten quarters to the Celera group for diagnostic rights to some of the Company' s technology.

Also in fiscal 2006, the Applied Biosystems group recorded a benefit and received the sum of $33.4 million related to a settlement agreement involving U.S. patent infringement claims brought by us against Bio-Rad and MJ Research, Inc. (acquired by Bio-Rad after the commencement of litigation.) The settlement also resolved litigation brought by Bio-Rad against us for patent and trademark infringement, and counterclaims by us against Bio-Rad.

Additionally in fiscal 2006, we recorded a $26.6 million pre-tax charge related to an award in an arbitration proceeding with Amersham Biosciences, now GE Healthcare, and a litigation matter. We recorded the pre-tax charge as follows: $25.9 million at the Applied Biosystems group and $0.7 million at the Celera group. We paid all amounts related to the arbitration matter in January 2006. The arbitration matter involved the interpretation of a license agreement relating to DNA sequencing reagents and kits. Amersham had alleged, among other things, that the Applied Biosystems group had underpaid royalties under the license agreement. The arbitrator awarded Amersham past damages based on an increase in royalty rates for some of its DNA sequencing enzymes and kits that contain those enzymes, plus interest, fees, and other costs. As a result of this decision, the Applied Biosystems group recorded a pre-tax charge of $23.5 million in fiscal 2006, $22.6 million of which was recorded in asset dispositions and legal settlements.

In fiscal 2006, the Applied Biosystems group recorded a pre-tax gain of $16.9 million from the sale of a vacant facility in Connecticut. This facility was previously used for manufacturing and administration.

Acquired research and development

In fiscal 2007, the Applied Biosystems group recorded a $114.3 million charge to write-off the value of acquired in-process research and development (“IPR&D”) in connection with the acquisition of Agencourt Personal Genomics, Inc. (“APG”). As of the acquisition date, in July 2006, the technological feasibility of the acquired project had not been established, and it was determined that the acquired project had no future alternative use. The determination of the amount attributed to acquired IPR&D took into consideration an independent appraisal performed by an outside consultant.

See Note 3 to our consolidated financial statements for more information on these acquisitions.

Investments

In fiscal 2008, the Applied Biosystems group recorded pre-tax gains of $27.6 million, $25.0 million of which was recorded in the fourth quarter of fiscal 2008, in gains on investments, net from the sales of non-strategic minority equity investments. Also in fiscal 2008, the Celera group recorded a pre-tax charge of $3.1 million in gains on investments, net for an other-than-temporary impairment of a publicly traded non-strategic minority equity investment. The impairment charge resulted from a number of factors that were assessed, including the duration of the decline in market value, the financial condition, and future prospects for the investee. In fiscal 2006, the Celera group recorded pre-tax gains of $7.6 million in gains on investments, net from the sale of non-strategic minority equity investments.

Tax items

Fiscal 2008

In the fourth quarter of fiscal 2008, the Celera group recorded a non-cash tax charge of $90.6 million to establish a valuation allowance against the Celera group’ s deferred tax assets. As a result of the separation, the Celera group will no longer be a member of the Company’ s consolidated return. Due to the Celera group’ s post separation separate taxpayer status and history of losses, management determined that it was more likely than not that the net deferred tax assets distributed to the Celera group in conjunction with the separation will not be realized. Some of these assets are expected to expire in three to twelve years, if not used before then.

In fiscal 2008, we recorded net tax benefits of $8.9 million, primarily resulting from net benefits related to completed Internal Revenue Service (“IRS”) and foreign audits and R&D tax credits. $9.6 million of tax benefits were recorded at the Applied Biosystems group, offset by a tax charge for R&D tax credits of $0.7 million recorded at the Celera group.

Also in fiscal 2008, the Applied Biosystems group recorded tax charges of $1.8 million primarily related to the recalculation of deferred tax assets as a result of a decrease in the statutory tax rate in Germany.

During fiscal 2006, the Applied Biosystems group recorded a $3.4 million charge to write-off the value of acquired IPR&D in connection with the acquisition of Ambion. As of the acquisition date, the technological feasibility of the related projects had not been established, and it was determined that the acquired projects had no future alternative uses. The determination of the amount attributed to acquired IPR&D took into consideration an independent appraisal performed by a third party.

Fiscal 2007

In the fourth quarter of fiscal 2007, the Applied Biosystems group recorded a net tax benefit of $6.9 million primarily related to foreign tax settlements and a reduction of foreign valuation allowances. The valuation

allowance release was due to management' s reassessment of the future realization of deferred tax assets based on revised forecasted foreign income. Also in fiscal 2007, we recorded tax benefits of $8.5 million, primarily resulting from a $6.1 million valuation allowance release. The valuation allowance release was due to management' s reassessment of the future realization of foreign tax credits. Tax benefits identified during the tax return preparation accounted for the remaining tax benefits of $2.4 million. $8.1 million of the tax benefits was recorded at the Applied Biosystems group and $0.4 million was recorded at the Celera group.

The Tax Relief and Health Care Act of 2006, enacted in December 2006, extended the R&D tax credit from January 1, 2006 through December 31, 2007. The Applied Biosystems group and the Celera group included the estimated benefit of the current year R&D tax credit in the fiscal 2007 estimated annual effective tax rate. In addition, the Celera group recorded a tax benefit of $1.0 million in fiscal 2007 related to the R&D tax credit generated between January 1, 2006 and June 30, 2006.

Also, in fiscal 2007, the Applied Biosystems group recorded a tax benefit of $8.8 million related to a reduction in the valuation allowance for German net operating loss carryforwards.

Fiscal 2006

In fiscal 2006, the Applied Biosystems group recorded a tax benefit of $13.5 million related to the resolution of transfer pricing matters in Japan. Additionally, the Applied Biosystems group recorded a net tax charge of $26.6 million related to repatriation of foreign earnings. Also in fiscal 2006, the Applied Biosystems group recorded tax benefits of $63.3 million related to a completed IRS exam, state valuation allowance reversal, and R&D credits. The IRS completed the audit of the Company for the fiscal years 1996 through 2003 and, as a result, the Applied Biosystems group recorded favorable adjustments of $32.2 million to existing tax liabilities. A net of federal tax $24.8 million increase in the net state deferred tax assets primarily related to a reduction in valuation allowance and the write-off of some state deferred tax assets. The reduction in the valuation allowance was due to management' s reassessment of the future realization of deferred tax assets based on revised forecasted taxable

Note 3–Acquisitions

Berkeley HeartLab, Inc.

In October 2007, we acquired BHL for $193.2 million in cash, including transaction costs. BHL is a cardiovascular healthcare company with a Clinical Laboratory Improvement Amendments of 1988 ("CLIA")-certified laboratory that provides a broad portfolio of clinical laboratory tests and disease management services focused on individuals who have cardiovascular disease or lipid or metabolic disorders. We believe that the acquisition provides the Celera group with a commercial infrastructure to bring its new genetic tests to the U.S. cardiovascular market. Additionally, BHL is expected to provide opportunities for the Celera group to 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 clinical laboratory service business. The cash expenditure for this acquisition was funded by available cash.

We allocated the purchase price of $193.2 million to tangible net assets and intangible assets as follows:

(Dollar amounts in millions)	
Current assets, including deferred tax asset of $5.2	**$43.5**
Long-term assets	**6.2**
Current liabilities	**(19.1)**
Long-term liabilities, including deferred tax liability of ($40.7)	**(45.3)**
Tangible net liabilities assumed, at approximate fair value	**(14.7)**
Goodwill	**103.0**
Customer relationships	**67.4**

income which includes the impact of a change in the apportionment of income to California, a reduction in R&D spending, and increased revenues and profits from our worldwide operations. Also, the Company completed its assessment of fiscal years 2001 through 2004 R&D activities and, as a result, the Applied Biosystems group recorded a net benefit of $6.3 million for additional R&D credits.

Trademark and trade name	**21.8**
Existing technology	**14.9**
Internally developed software	**0.8**
Total intangible assets	**207.9**
Total purchase price	**$193.2**

We are amortizing the recorded values of the intangible assets, other than the trademark and trade name, over their expected period of benefit, which on a weighted-average basis is approximately 12 years. An established client list, a recognized company name and a broad portfolio of clinical laboratory tests and disease management services focused on the secondary prevention market were among the factors that resulted in the recognition of goodwill. The goodwill, trademark and trade name are reviewed for impairment as part of our annual impairment tests. In fiscal 2008, we recorded a $5.2 million deferred tax asset, included in current assets, and a $40.7 million deferred tax liability, included in long-term liabilities, for net operating loss carryforwards and other temporary differences of BHL. The goodwill recognized is not deductible for federal income tax purposes. The net assets and results of operations of BHL have been included in our consolidated financial statements since the date of the acquisition, and have been allocated to the Celera group.

In connection with the acquisition, we assumed $10.8 million of floating and fixed rate debt (see Note 10). As of June 30, 2008, $0.1 million of this debt remained outstanding.

Atria Genetics Inc.

Also in October 2007, we acquired substantially all of the assets of Atria for $33.3 million in cash, including transaction costs. Atria has a line of human leukocyte antigen ("HLA") testing products that are used for identifying potential donors in the matching process for bone marrow transplantation. The acquisition provides the Celera group direct access to tissue typing products in the transplantation and bone marrow registry market. The cash expenditure for this acquisition was funded by available cash.

We allocated the purchase price of $33.3 million to tangible net assets and intangible assets as follows:

(Dollar amounts in millions)	
Current assets	**$0.6**
Long-term assets	**0.2**
Current liabilities	**(0.5)**
Long-term liabilities	**(0.2)**
Tangible net assets acquired, at approximate fair value	**0.1**
Goodwill	**10.6**
Customer relationships	**17.8**
Trademark and trade name	**2.0**
Existing technology	**2.7**

Pro Forma Financial Information

The following selected unaudited pro forma financial information, which includes the combined results of operations of BHL and Atria, has been prepared assuming the acquisitions had occurred at the beginning of fiscal 2007 and gives effect to purchase accounting adjustments:

(Dollar amounts in millions except per share amounts)	**2008**	2007
Applied Biosystems Inc.		
Net revenues	**$2,382.5**	$2,226.0
Net income	**208.5**	158.0
Celera Group		
Net revenues	**$160.4**	$136.9
Net loss, as allocated	**(107.9)**	(21.1)
Basic and diluted loss per share	**(1.36)**	(0.27)

There was no financial impact to the Applied Biosystems group related to these acquisitions.

We recorded $7.1 million in fiscal 2008 of amortization of intangible assets related to these acquisitions.

This unaudited pro forma data is for informational purposes only and may not be indicative of the actual results that would have occurred had the acquisitions been consummated at the beginning of fiscal 2007 or of the future operations of the combined companies.

Agencourt Personal Genomics

In July 2006, we acquired APG for approximately $121 million in cash, including transaction costs. At the time of the

Internally developed software	0.1
Total intangible assets	33.2
Total purchase price	$33.3

We are amortizing the recorded values of the intangible assets, other than the trademark and trade name, over their expected period of benefit, which on a weighted-average basis is approximately 12 years. The relationship with end user customers, a line of HLA testing products, core technology and an established name were among the factors that resulted in the recognition of goodwill. The goodwill, trademark and trade name are reviewed for impairment as part of our annual impairment tests. The entire amount of goodwill is deductible for federal income tax purposes. The net assets and results of operations of Atria have been included in our consolidated financial statements since the date of the acquisition, and have been allocated to the Celera group.

purchase, APG was a privately-held developer of next-generation genetic analysis technology. APG' s proprietary technology was based on stepwise ligation, a novel and very high throughput approach to DNA analysis.

In accordance with SFAS No. 141, ''Business Combinations,'' we accounted for this transaction as a purchase of assets rather than a business combination since APG did not meet the definition of a business as defined by EITF Abstracts Issue 98-3, ''Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business.'' The key considerations impacting our accounting determination were that APG was primarily focused on research and development activities, had not commenced principal operations, and did not have products, customers or revenues. We allocated the purchase price as follows:

(Dollar amounts in millions)	Fair Value
Property, plant and equipment	$ 1.4
Intangible asset - workforce	1.5
Acquired IPR&D	114.3
Deferred tax asset	4.7
Deferred tax liability	(0.5)
Total purchase price	$121.4

We allocated this transaction to the Applied Biosystems group. The cash expenditure for this acquisition was funded by available cash. The estimated fair value attributed to the workforce was determined based on the estimated cost to recruit, hire, and train a workforce comparable to that in existence at APG at the time of our purchase of its assets. At the time of the acquisition, approximately 20 employees of APG became employees of the Applied Biosystems group. The recorded fair value of the workforce intangible asset is being amortized over its expected period of benefit of 3 years.

At the time of the acquisition, APG was in the process of prosecuting certain patents, but none had been issued. Any licenses APG had were not exclusive and did not provide it a measurable technological advantage. As a result, neither the patents nor the licenses were deemed to be identifiable assets and no value was assigned.

As of the acquisition date, the technological feasibility of the acquired IPR&D project had not been established, and it was determined that the project had no future alternative use. The amount attributed to acquired IPR&D took into consideration an independent appraisal performed by an outside consultant and was developed using an income approach. The project was valued using a discounted cash flow model and a discount rate of 30%. This discount rate was based on an estimated weighted average cost of capital given APG' s stage and development lifecycle. The projected cash flows from the project were based on an estimate of future revenues and expenses attributable to the project. The valuation assumptions were made solely for the purpose of calculating projected cash flows and valuing the intangible assets acquired at the date of acquisition. Additionally, the amount of purchase price which was in excess of the identifiable assets was allocated to IPR&D, as goodwill could not result from an acquisition of assets. Actual results may vary from the projected results.

The following table briefly describes the APG IPR&D project.

	At Acquisition Date		
(Dollar amounts in millions)	Fair Value	Estimated Costs to Complete	Approximate Percentage Completed

Research Products Division of Ambion, Inc.

Effective March 1, 2006, we acquired the Research Products Division of Ambion, Inc. for approximately $279 million in cash, including transaction costs. Ambion is a provider of innovative products for the study and analysis of ribonucleic acid (“RNA”) for life science research and drug development. The Ambion products are used by researchers to study RNA and its role in disease development and progression. This acquisition was intended to drive growth by enabling us to deliver more complete customer workflow solutions and by expanding the Applied Biosystems group' s consumables product offering. At the time of the acquisition, we expected that Ambion' s RNA R&D expertise, consumables manufacturing capabilities, and culture of scientific innovation will complement our existing strengths. The cash expenditure for this acquisition was funded by available cash.

We allocated the purchase price of $279.4 million to tangible net assets and intangible assets as follows:

(Dollar amounts in millions)	
Current assets	$ 27.4
Long-term assets	16.0
Current liabilities	(8.2)
Long-term liabilities	(22.8)
Tangible net assets acquired, at approximate fair value	12.4
Goodwill	206.5
Customer relationships	27.1
Existing technology	24.8

Instruments	$ 66.6	$10.0	35%
Reagents	47.7	6.0	25%
Total	$114.3	$16.0	

The instruments and reagents which were being developed are intended for very high throughput genetic analysis applications, including DNA sequencing and expression profiling. The initial instrument and reagents began generating revenue in fiscal 2008. The total project costs were approximately $29 million. The increase in costs to complete the project were offset by reductions to other planned R&D projects.

Trade name	4.9
Acquired IPR&D	3.4
Purchase order backlog	0.3
Total intangible assets	267.0
Total purchase price	$279.4

We are amortizing the recorded values of the intangible assets, other than the acquired IPR&D and the trade name, over their expected period of benefit, which on a weighted average basis is 5.5 years. An established client list, a recognized company name in the RNA field, a strong scientific employee base, and operations in a complementary consumables business were among the factors that contributed to a purchase price resulting in the recognition of goodwill. The goodwill and the trade name are tested for impairment as part of our annual impairment test at the reporting unit level. In fiscal 2006, we recorded a $7.2 million deferred tax asset, included in current assets, and a $22.8 million deferred tax liability, included in long-term liabilities, for net operating loss carryforwards and other temporary differences of Ambion that we expect to use. The goodwill recognized is not deductible for federal income tax purposes.

The net assets and results of operations of Ambion have been included in our consolidated financial statements since the date of the acquisition, and have been allocated to the Applied Biosystems group. The following selected unaudited pro forma financial information for the Company and the Applied Biosystems group has been prepared assuming the acquisition had occurred at the beginning of fiscal 2005 and gives effect to purchase accounting adjustments:

(Dollar amounts in millions except per share amounts)	2006
Applied Biosystems Inc.	
Net revenues	$1,986.5
Net income	197.2
Applied Biosystems Group	
Net revenues	$1,948.3
Net income, as allocated	259.8
Basic earnings per share	1.39
Diluted earnings per share	1.35

There was no financial impact to the Celera group related to this acquisition.

In fiscal 2006, the Applied Biosystems group recorded approximately $4 million of amortization of intangible assets related to this acquisition. On consummation of the acquisition, the Applied Biosystems group recorded a $3.4 million non-cash charge to write-off the value of acquired IPR&D, which has been included in the pro forma results above. See Note 2 to our consolidated financial statements for additional information related to the acquired IPR&D

Under the terms of the Invitrogen Merger Agreement, holders of Applied Biosystems stock will receive $17.10 in cash and 0.4543 shares of Invitrogen common stock for each share of Applied Biosystems stock they own. Alternatively, holders of Applied Biosystems stock may elect to receive either $38.00 in cash, or 0.8261 shares of Invitrogen common stock, for each share of Applied Biosystems stock they own, subject to proration. If the 20-day volume-weighted average price per share, or VWAP, of Invitrogen' s common stock is below $46.00 three business days prior to the close of the transaction, each holder of Applied Biosystems stock will also receive an additional cash payment of up to $2.31 with respect to each share of Invitrogen common stock it receives in the merger. The actual amount of this additional cash payment will be based on a formula set forth in the Merger Agreement, and is intended to maintain a total value of $38.00 per share of Applied Biosystems stock, for holders who are paid all or part of the merger consideration in shares of Invitrogen common stock, if the Invitrogen VWAP three business days prior to the closing is within the range of $43.69 to $46.00.

Completion of the Invitrogen merger is subject to conditions specified in the Merger Agreement, including (i) adoption of the Merger Agreement by the Company' s stockholders, (ii) Invitrogen stockholders' approval of the issuance of shares of Invitrogen' s common stock in the merger and approval of an amendment to Invitrogen' s certificate of incorporation to increase the number of authorized shares of Invitrogen' s common stock, (iii) the effectiveness of Invitrogen' s registration statement on Form S-4 with respect to the merger and the issuance of Invitrogen' s common stock in the merger, and (iv) the receipt of approval for the European Community Merger Regulation as well as certain other foreign antitrust or competition laws.

The Merger Agreement may be terminated under certain circumstances, including, subject to the terms of the Merger Agreement, if our board of directors determines to accept an unsolicited "superior proposal" (as that term is defined in the Merger Agreement). The Merger Agreement provides that, if the Merger Agreement is terminated under certain circumstances, we or Invitrogen will be required to pay the other a termination fee of $150 million.

charge. This unaudited pro forma data is for informational purposes only and may not be indicative of the actual results that would have occurred had the acquisition been consummated at the beginning of fiscal 2005 or of the future operations of the combined companies.

Note 4–Pending Merger with Invitrogen (Unaudited)

On June 11, 2008, we entered into an Agreement and Plan of Merger with Invitrogen Corporation and Atom Acquisition, LLC, a direct wholly-owned subsidiary of Invitrogen. Pursuant to the terms and conditions of the Invitrogen Merger Agreement, we will merge with and into Atom Acquisition, with that entity continuing as the surviving entity and a direct wholly-owned subsidiary of Invitrogen. Upon completion of the transaction, Invitrogen will expand its board of directors from nine to twelve members and appoint three of our current directors to the board of Invitrogen. The parties currently expect the merger to be completed in the fall of 2008, subject to satisfactions of the conditions specified in the Merger Agreement.

The Company has and is expected to continue to incur expenses in connection with the merger agreement and the transactions contemplated by the merger agreement. These expenses, including professional fees for legal and investment banking services, will be recorded by the Company in the period the expenses are incurred.

At the effective time of the merger, each outstanding unexpired and unexercised option to purchase or acquire shares of Applied Biosystems stock, whether or not vested or subject to any performance condition that has not been satisfied, will vest and become fully exercisable and converted into an option to purchase shares of Invitrogen common stock. Additionally, each restricted share of Applied Biosystems stock and right to receive Applied Biosystems stock under a stock unit award, whether or not subject to any performance condition that has not been satisfied, will vest in full at the effective time of the merger and be converted into the right to receive the mixed consideration consisting of Invitrogen common stock and cash. The Company will be required to record a charge for any unvested options, restricted shares or stock unit awards that vest as a result of the merger in the period the merger is completed.

As the merger of Invitrogen with Applied Biosystems is expected to occur within the two year period following the Celera separation, the Celera separation may result in a tax liability. U.S. tax law provides that the Celera separation was taxable to Applied Biosystems if it was part of a plan (or series of related transactions) under which Invitrogen acquired Applied Biosystems. There is a rebuttable presumption that a separation occurring within two years of an acquisition of one of the separated parties is part of such a plan. The Company believes that the facts and circumstances support the conclusion that the two transactions are separate and distinct events from each other and therefore the merger should not cause the Celera separation to be taxable to Applied Biosystems. However, the IRS may challenge the tax free treatment of Applied Biosystems in the Celera separation. As measured in accordance with the principles of FASB Interpretation No. (“FIN”) 48, “Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement

A reconciliation of the federal statutory tax rate to the Company’ s, the Applied Biosystems group’ s and the Celera group’ s tax rate on continuing operations for fiscal 2008, 2007, and 2006 is set forth in the following table:

No. 109,” the estimated potential tax exposure as a result of the Celera separation could be $50 million. The amount of any reserve ultimately required will depend on a determination of the potential taxable gain on the Celera separation, an assessment of the facts and circumstances surrounding the Celera separation and the events following the Celera separation, including transactions entered into by either Applied Biosystems or Celera.

Note 5–Income Taxes

Income before income taxes from continuing operations for fiscal 2008, 2007, and 2006 is summarized below:

(Dollar amounts in millions)	**2008**	2007	2006
Domestic*	**$253.9**	$ 95.0	$ 61.0
Foreign	**177.2**	128.2	154.2
Total	**$431.1**	$223.2	$215.2

* U.S. and foreign entities includable in U.S. returns.

Our provision (benefit) for income taxes from continuing operations for fiscal 2008, 2007, and 2006 consisted of the following:

(Dollar amounts in millions)	**2008**	2007	2006
Currently Payable			
Domestic	**$ 21.4**	$ 33.9	$ 8.0
State	**0.7**	2.8	2.1
Foreign	**37.1**	31.5	35.3
Total currently payable	**59.2**	68.2	45.4

Deferred			
Domestic	**152.3**	32.5	5.3
State	**4.9**	2.0	(46.9)
Foreign	**0.9**	(30.2)	(1.1)
Total deferred	**158.1**	4.3	(42.7)
Total provision for income taxes	**$217.3**	$ 72.5	$ 2.7

	Applied Biosystems Group			Celera Group			Consolidated		
(Dollar amounts in millions)	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Federal statutory rate	**35%**	35%	35%	**35%**	35%	35%	**35%**	35%	35%
Tax at federal statutory rate	**$156.0**	$ 90.6	$111.0	**$ (5.0)**	$(12.3)	$(35.7)	**$150.9**	$ 78.1	$ 75.3
State income taxes (net of federal benefit)	**3.5**	2.7	2.6	**0.1**	0.4	0.4	**3.6**	3.1	3.0
Effect on income taxes from Singapore operations	**(16.4)**	(13.3)	(12.5)				**(16.4)**	(13.3)	(12.5)
Effect on income taxes from other foreign operations	**(3.3)**	(6.4)	16.0				**(3.3)**	(6.4)	16.0
Effect on income taxes from U.S. export and manufacturing incentives	**(5.9)**	(4.5)	(5.0)				**(5.9)**	(4.5)	(5.0)
Goodwill and intangibles		40.3	1.6		(0.9)	(0.9)		39.4	0.7
R&D tax credit	**(5.1)**	(0.8)	(6.3)	**0.3**	(2.9)	(3.4)	**(4.8)**	(3.7)	(9.7)
Valuation allowance		(21.1)	(22.2)	**90.6**			**90.6**	(21.1)	(22.2)
Tax settlements	**(3.0)**	(1.5)	(45.7)				**(3.0)**	(1.5)	(45.7)

Other	**3.2**	2.1	2.6	**2.4**	0.3	0.2	**5.6**	2.4	2.8
Total provision (benefit) for income taxes from continuing operations	**$129.0**	$ 88.1	$ 42.1	**$88.4**	$(15.4)	$(39.4)	**$217.3**	$ 72.5	$ 2.7

In fiscal 2008, we recorded a net tax charge of $83.5 million, comprised of $7.8 million in tax benefits recorded at the Applied Biosystems group, offset by a tax charge of $91.3 million recorded at the Celera group. The net charge of $83.5 million resulted from the establishment of a $90.6 million valuation allowance on the Celera group' s federal deferred assets, net benefits of $8.9 million related to completed IRS and foreign audits, as well as a tax charge of $1.8 million primarily related to the recalculation of deferred tax assets as a result of a decrease in the statutory tax rate in Germany.

In fiscal 2007, we recorded tax benefits of $25.2 million, primarily resulting from valuation allowance releases and foreign tax audit settlements. The valuation allowance releases were due to management' s reassessment of the future realization of foreign tax credits and net operating loss carryforwards. We recorded a tax benefit of $13.9 million related to a reduction in the valuation allowance for some German and Brazilian net operating loss carryforwards, $6.1 million of foreign tax credits, $1.5 million of foreign tax audit settlements, and $1.4 million of R&D credits. Tax benefits identified during the tax return preparation accounted for $2.3 million of the remaining tax benefits recorded. $23.8 million of the tax benefits were recorded at the Applied Biosystems group and $1.4 million were recorded at the Celera group.

We have two tax exemption grants for our manufacturing operations in Singapore. One grant expired on August 14, 2007, and the other grant expires after fiscal year 2014. The Singapore tax exemptions benefited fully diluted earnings per share by $0.09 for fiscal 2008, $0.07 for fiscal 2007, and $0.06 for fiscal 2006.

For fiscal 2008, we have not provided deferred taxes on $262.9 million of undistributed earnings of foreign subsidiaries, as it is our plan to indefinitely reinvest these earnings in our foreign subsidiaries. However, from time to time we repatriate a portion of earnings to the extent that we will not incur a material additional U.S. tax liability. Quantification of the deferred tax liability, if any, associated with indefinitely reinvested earnings is not practicable.

Significant components of deferred tax assets and liabilities at June 30 are summarized below:

(Dollar amounts in millions)	2008	2007
Deferred Tax Assets		
Depreciation	**$32.8**	$21.0
Inventories	**38.7**	28.2
Pension and postretirement benefits	**34.6**	44.0
Unrealized losses on investments	**2.4**	2.2
Other accruals	**68.6**	57.1
Tax credit and loss carryforwards	**76.9**	151.6
Capitalized R&D expense	**228.9**	241.9
State taxes, net of federal benefit*	**30.8**	22.7
Subtotal	**513.7**	568.7
Valuation allowance	**(124.9)**	(26.5)
Total deferred tax assets	**388.8**	542.2
Deferred Tax Liabilities		
Other accruals	**0.4**	15.5

Intangible assets	**53.3**	18.0
Total deferred tax liabilities	**53.7**	33.5
Total deferred tax assets, net	**$335.1**	$508.7

*Represents state tax deferred assets not included in the above categories.

We have U.S. federal loss carryforwards as a result of various acquisitions of approximately $90.6 million that will expire between fiscal 2013 and 2023. The Internal Revenue Code has limited the amount of acquired net operating loss carryforwards that can be used annually to offset future taxable income as a result of these acquisitions. We do not anticipate that any of these loss carryforwards will expire due to Internal Revenue Code limitations. We also have U.S. federal minimum tax credit carryforwards of $1.1 million with no expiration date, and loss carryforwards of approximately $53.1 million in various foreign countries with varying expiration dates.

Our worldwide valuation allowance of $124.9 million at June 30, 2008, is detailed in the following table. The valuation allowance increased by $98.4 million in fiscal 2008, primarily due to the establishment of a valuation allowance against the net deferred assets of the Celera group, as well as changes to the state and foreign valuation allowances. At June 30, 2007, our valuation allowance was $26.5 million, which consisted of $22.7 million related to state deferred tax assets and $3.8 million related to foreign tax losses. In fiscal 2007, the valuation allowance decreased by $21.1 million primarily due to the release of a portion of the foreign valuation allowance. Changes in business operations allowed us to determine that we would more likely than not be able to realize our deferred tax assets in U.S. foreign tax credits as well as German and Brazilian net operating loss carryforwards and we therefore released the valuation allowance on those assets.

Our deferred tax assets include benefits expected from the utilization of net operating losses and credit carryforwards in the future. The following table identifies the various deferred tax asset components and the related allowances that existed at June 30, 2008. Due to time limitations on the ability to realize the benefit of the carryforwards, additional portions of these deferred tax assets may become unrealizable in the future.

(Dollar amounts in millions)	Deferred Tax Asset	Valuation Allowance	Net Deferred Tax Asset	Carryforward Period	Earliest Fiscal Year of Expiration
Federal					
Net operating losses	**$ 31.7**	**$ 31.7**	**$ –**	15 - 20 Years	2013
R&D tax credits	**5.2**	**5.2**		15 - 20 Years	2013
Other tax credits	**1.1**		**1.1**	Unlimited	
Temporary differences	**334.9**	**53.7**	**281.2**		
Total federal	**372.9**	**90.6**	**282.3**		
State					
Net operating losses	**5.8**	**4.9**	**0.9**	Various	2009
Tax credits	**28.5**	**6.5**	**22.0**	Unlimited	
Temporary differences	**18.7**	**19.4**	**(0.7)**		
Total state	**53.0**	**30.8**	**22.2**		
Foreign					
Net operating losses	**24.6**	**3.5**	**21.1**	Unlimited	

Other non-U.S. temporary differences	**9.5**		**9.5**
Total foreign	**34.1**	**3.5**	**30.6**
Total	**$460.0**	**$124.9**	**$335.1**

We adopted the provisions of FIN 48 and FIN 48-1, ‘‘Definition of Settlement in FASB Interpretation No 48’’ on July 1, 2007. FIN 48 addresses the recognition and measurement of uncertain income tax positions using a ‘‘more-likely-than-not’’ threshold and also requires enhanced disclosures in the financial statements. FIN 48-1 amends FIN 48 to provide guidance on how companies should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits.

As a result of our adoption of FIN 48, we recognized a $34.0 million increase in our fiscal 2008 beginning retained earnings relating to our uncertain tax positions. The total amount of unrecognized tax benefits at July 1, 2007 was $67.9 million, of which $33.3 million would affect the effective tax rate if recognized. We recognize interest and penalties related to uncertain tax positions in our provision for income taxes. During the year ended June 30, 2008, we charged approximately $0.9 million in interest. We had approximately $1.0 million for the payment of interest and penalties accrued at June 30, 2008. Although our tax filings are under continual examination by the tax authorities and we regularly assess our tax uncertainties, tax examinations are inherently uncertain.

During fiscal 2008, the IRS completed its audit of our fiscal years 2001 through 2005. The net decrease in our unrecognized tax benefits of $36.3 million was primarily related to the completion of the IRS audit as well as foreign audits. As a result, at June 30, 2008, the total amount of unrecognized tax benefits was $31.6 million, of which $20.0 million would affect the effective tax rate, if recognized. The impact to our cash flow was immaterial. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(Dollar amounts in millions)	
Unrecognized income tax benefits at July 1, 2007	**$67.9**
Decreases from prior period positions	**(43.1)**
Increases from current period positions	**6.8**
Unrecognized income tax benefits at June 30, 2008	**$31.6**

The U.S. statutes of limitation are open for the fiscal tax years 2004 forward. Our major foreign jurisdictions are subject to examination for the tax years 2002 forward. Due to the complex and uncertain examination process, the resolution of such examinations could have a material impact on our results of operations.

Note 6–Retirement and Other Benefits

Pension Plans, Retiree Healthcare, and Life Insurance Benefits

We maintain or sponsor pension plans that cover a portion of our worldwide employees. Pension benefits earned are generally based on years of service and compensation during active employment. However, the level of benefits and terms of vesting may vary among plans. We determine the required funding of the pension plans in accordance with statutory funding requirements. We also sponsor nonqualified supplemental benefit plans for select U.S. employees in addition to our principal pension plan. These supplemental plans are unfunded.

Our domestic pension plan covers U.S. employees hired prior to July 1, 1999. The accrual of future service benefits for all participants was frozen as of June 30, 2004.
Benefits earned under the plan will be paid out under existing plan provisions.

The components of net pension and postretirement benefit expenses for fiscal 2008, 2007, and 2006 are set forth in the following table:

Our postretirement benefit plan is unfunded and provides healthcare and life insurance benefits to domestic employees hired prior to January 1, 1993, who retire and satisfy certain service and age requirements. Generally, medical coverage pays a stated percentage of most medical expenses, and in some cases, participants pay a co-payment. Benefits are reduced for any deductible and for payments made by Medicare or other group coverage. We share the cost of providing these benefits with retirees.

As of June 30, 2007, we adopted the provisions of SFAS No. 158, ‘‘Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R).’’ SFAS No. 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in the funded status in the year in which the changes occur through comprehensive income. We use a June 30 measurement date for our pension and postretirement benefit plans. The impact of applying SFAS No. 158 to our balance sheet as of June 30, 2007 was to reduce our stockholder’ s equity by $51.7 million.

	Pension			Postretirement		
(Dollar amounts in millions)	**2008**	2007	2006	**2008**	2007	2006
Service cost	**$3.8**	$3.5	$3.2	**$0.2**	$0.2	$0.2
Interest cost	**45.6**	43.9	36.6	**3.5**	3.6	3.2
Expected return on plan assets	**(49.0)**	(46.7)	(39.2)			
Amortization of prior service cost	**1.0**	0.8	0.2			
Amortization of (gains) losses	**2.6**	5.1	9.0		(0.3)	0.1
Special termination benefits and other	**0.5**	(0.3)	0.1			

Net periodic expense	**$4.5**	$6.3	$9.9	**$3.7**	$3.5	$3.5
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:						
Actuarial (gains) losses	**$23.6**	$–	$–	**$(0.9)**	$–	$–
Amortization of prior service cost	**(1.0)**					
Amortization of losses	**(2.6)**					
Total recognized in other comprehensive income*	**$20.0**	$–	$–	**$(0.9)**	$–	$–
Total Recognized in Net Periodic Expense and Other Comprehensive Income	**$24.5**	$6.3	$9.9	**$2.8**	$3.5	$3.5

* Amounts represent the pre-tax effect included within other comprehensive income. The net of tax amounts are included within the Consolidated Statements of Stockholders` Equity.

The following weighted-average actuarial assumptions were used for the pension and postretirement plans for the fiscal years ended June 30:

	Domestic Plans			Foreign Plans		
	2008	2007	2006	**2008**	2007	2006
Discount rate used to determine benefit obligation:						
Pension	**6.50%**	6.25%	6.50%	**2.25-6.25%**	2.00-5.25%	2.25-4.75%
Postretirement	**6.25%**	6.00%	6.25%			
Discount rate used to determine net benefit cost:						
Pension	**6.25%**	6.50%	5.25%	**2.00-5.25%**	2.25-4.75%	1.75-4.75%
Postretirement	**6.00%**	6.25%	5.00%			
Compensation increase	**–%**	–%	–%	**1.75-3.25%**	1.75-3.50%	1.15-3.50%
Expected rate of return*	**6.25-8.50%**	6.50-8.50%	5.25-8.50%	**2.75-5.00%**	1.00-4.25%	1.00-4.25%

* 6.50%-8.50% for domestic pension plan for fiscal 2009.

The following tables set forth the changes in the benefit obligations and the plan assets, the funded status of the plans, and the amounts recorded in our Consolidated Statements of Financial Position at June 30:

	Pension		Postretirement	
(Dollar amounts in millions)	**2008**	2007	**2008**	2007
Change in Benefit Obligation				
Benefit obligation, beginning of year	**$750.6**	$700.5	**$59.4**	$59.5
Service cost	**3.8**	3.5	**0.2**	0.2

Interest cost	**45.6**	43.9	**3.5**	3.6
Participants' contributions	**0.4**	0.4	**2.0**	2.0
Benefits paid	**(47.0)**	(42.7)	**(7.7)**	(8.5)
Actuarial (gain) loss	**(7.4)**	13.8	**(0.8)**	1.3
Variable annuity unit value change	**(38.1)**	31.7		
Foreign currency translation and other	**9.3**	(0.5)	**1.2**	1.3
Benefit obligation	**$717.2**	$750.6	**$57.8**	$59.4
Change in Plan Assets				
Fair value of plan assets, beginning of year	**$728.4**	$672.4	**$–**	$–
Actual return on plan assets	**(21.2)**	95.6		
Participants' contributions	**0.5**	0.4	**2.0**	2.0
Company contributions	**2.7**	2.8	**4.5**	5.1
Benefits paid	**(45.3)**	(42.0)	**(6.5)**	(7.1)
Foreign currency translation and other	**3.5**	(0.8)		
Fair value of plan assets	**$668.6**	$728.4	**$–**	$–
Funded Status	**$(48.6)**	$(22.2)	**$(57.8)**	$(59.4)

Amounts Recognized in the Consolidated Statements of Financial Position

Other long-term assets	**$20.9**	$38.6	**$–**	$–
Accrued benefit liability	**(1.5)**	(1.4)	**(5.4)**	(5.4)
Other long-term liabilities	**(68.0)**	(59.4)	**(52.4)**	(54.0)
Net amount recognized	**$(48.6)**	$(22.2)	**$(57.8)**	$(59.4)
Supplemental Information				
Accumulated benefit obligation	**$705.2**	$742.8	**$57.8**	$59.4
Selected Information for Plans with Accumulated Benefit Obligations in Excess of Plan Assets				
Accumulated benefit obligation	**$689.7**	$729.7	**$57.8**	$59.4
Projected benefit obligation	**699.0***	734.4**	**57.8**	59.4
Fair value of plan assets	**642.9**	708.7		

* Included $44.1 million related to the U.S. nonqualified plans at June 30, 2008.

** Included $40.1 million related to the U.S. nonqualified plans at June 30, 2007.

The components of the amount recognized in accumulated other comprehensive income at June 30 and the amounts in accumulated other comprehensive income expected to be amortized into fiscal 2009 net periodic benefit expense are as follows:

	Pension		Postretirement	
(Dollar amounts in millions)	**2008**	2007	**2008**	2007
Components of Accumulated Other Comprehensive (Income) Loss				
Prior service cost	**$5.9**	$6.9	**$–**	$–
Transition obligation	**0.6**	0.6		
Actuarial (gains) losses	**118.3**	97.3	**(6.3)**	(5.4)
Total	**$124.8**	$104.8	**$(6.3)**	$(5.4)
Amounts Expected to be Amortized into Fiscal 2009 Net Periodic Benefit Expense				
Prior service cost	**$1.0**		**$–**	
Actuarial (gains) losses	**2.0**		**(0.2)**	
Total	**$3.0**		**$(0.2)**	

Our domestic pension plan weighted-average target range for fiscal 2008 and actual domestic and foreign pension plan asset allocation at June 30, 2008 and 2007 are as follows:

	Domestic Plan			Foreign Plans	
	Percentage of Plan Assets		Target Range	Percentage of Plan Assets	
	2008	2007	**2008**	**2008**	2007
Equity securities	**41%**	44%	**39 - 47%**	**12%**	12%
Fixed income securities	**28%**	25%	**23 - 31%**	**83%**	83%

Global balanced strategies [a]	**15%**	15%	**12 - 18%**		
Hedge funds	**15%**	15%	**12 - 18%**		
Cash and other	**1%**	1%	**0 - 10%**	**5%**	5%
Total	**100%**	100%		**100%**	100%

[a]Global balanced strategies are comprised of U.S. large capital equity securities, international developed equity securities, high grade U.S. and global bonds, cash and, to a limited extent, commodity funds. The investment managers for global balanced strategies can, at their discretion, allocate funds between these asset classes.

Our asset investment goal for the domestic pension plan is to achieve a long-term targeted rate of return consistent with the ongoing nature of the plan' s liabilities. The plan' s assets are invested so that the total portfolio risk exposure and risk-adjusted returns meet the plan' s long-term total return goal. A trustee administers our pension plan assets and investment responsibility for the assets is assigned to outside investment managers. The plan' s investment policy prohibits the use of derivatives for speculative purposes. The assets of the plan are periodically rebalanced to remain within the desired target allocations.

The expected rate of return on assets is determined based on the historical results of the portfolio, the expected investment mix of the plans' assets, and estimates of future long-term investment returns, and takes into consideration external actuarial advice.

For postretirement benefits measurement purposes, a 8.8% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for plan year 2009, gradually reducing to 6.0% in 2015 and thereafter. A one percentage-point change in assumed healthcare cost trend rates would have the following effects:

(Dollar amounts in millions)	One Percentage-Point Increase	One Percentage-Point Decrease
Effect on the total of service and interest cost components	**$0.3**	**$(0.2)**
Effect on postretirement benefit obligation	**4.3**	**(3.8)**

Our estimated future employer contributions, gross expected benefit payments, and gross amount of annual Medicare Part D federal subsidy expected to be received at June 30, 2008, are as follows:

(Dollar amounts in millions)	Pension	Postretirement
Employer Contributions		
2009	**$ 2.9**	**$5.6**
Expected Benefit Payments		
2009	**$ 46.2**	**$6.6**
2010	**65.2**	**6.6**
2011	**47.0**	**6.7**

2012	**51.0**	**6.7**
2013	**62.0**	**6.6**
2014 and thereafter	**253.3**	**30.6**

Expected Federal Subsidy Receipts

2009	**$1.0**
2010	**1.0**
2011	**1.1**
2012	**1.2**
2013	**1.2**
2014 and thereafter	**5.9**

We do not generally fund pension plans when our contributions would not be tax deductible. In both fiscal 2008 and 2007, we made contributions of approximately $3 million to our foreign pension plans and to our nonqualified supplemental U.S. benefit plans to cover the amount of benefits to be paid during the fiscal year. In fiscal 2006, we made voluntary contributions of approximately $31 million to our pension plans, the majority of which was to the qualified U.S. plan in order to reduce the amount by which the U.S. plan was underfunded. As a result of better than expected investment returns and a higher discount rate, our qualified U.S. pension plan was overfunded by approximately $13 million as of June 30, 2008, and $35 million as of June 30, 2007. Based on the level of our contributions to the U.S. pension plan during previous fiscal years, we do not expect to have to fund our U.S. pension plan in fiscal 2009 in order to meet minimum statutory funding requirements.

Savings Plans

We provide a 401(k) savings plan for domestic employees with a dollar-for-dollar matching of up to 6% for savings plan participants. Our contributions to this plan, net of plan forfeitures, were $16.5 million for fiscal 2008, $15.8 million for fiscal 2007, and $14.5 million for fiscal 2006. We recorded expenses for foreign defined contribution plans of $5.0 million in fiscal 2008, $3.7 million in fiscal 2007, and $3.2 million in fiscal 2006.

Postemployment Benefits

We provide some postemployment benefits to eligible employees, which generally include severance and outplacement costs, disability, and medical-related costs paid after employment but before retirement.

Note 7–Stockholders' Equity

Capital Stock

We have two classes of common stock: Applied Biosystems stock and Celera stock. These two classes of stock, sometimes referred to as "tracking" stocks, were intended to "track" or reflect the relative performance of the Applied Biosystems group and the Celera group, respectively. There was no single security that represented the performance of the Company as a whole. The Applied Biosystems group and

On July 1, 2008, we completed the separation of all the business, assets, and liabilities of the Celera group into an independent publicly-traded company as discussed in Note 1. As a result of the separation, no shares of Celera stock remain outstanding, and we no longer operate under the former tracking stock structure.

At June 30, 2008 and 2007, we had one billion authorized shares of a class of common stock designated as Applied Biosystems Group Common Stock, 225 million authorized shares of a class of common stock designated as Celera Group Common Stock, and 10 million authorized shares of preferred stock. Of the 10 million authorized shares of preferred stock, we previously designated 80,000 shares of two series of participating junior preferred stock in connection with our Stockholder Protection Rights Agreement described below.

Treasury Stock

We have in the past repurchased shares of Applied Biosystems stock and Celera stock. We may in the future repurchase shares of Applied Biosystems stock. However, under the terms of the merger agreement with Invitrogen, we are generally prohibited from repurchasing any shares of Applied Biosystems stock without the prior agreement of Invitrogen.

In April 2007, we announced that our board of directors authorized the repurchase of up to an additional 10% of the outstanding shares of Applied Biosystems stock. Subsequently, on August 8, 2007, we announced that our board of directors increased this authorization to $1.2 billion, which at market prices on that date represented approximately 20% of the outstanding shares of Applied Biosystems stock, or double the authorization prior to the increase. In accordance with this authorization, we entered into an agreement with Morgan Stanley & Co. Incorporated in August 2007 for the accelerated repurchase of $600 million of Applied Biosystems stock. During the first quarter of fiscal 2008, we paid Morgan Stanley approximately $602 million for this transaction, of which $275 million was funded by loans payable and the balance with cash. In October 2007, 16 million shares were delivered to us under this agreement. In January 2008, Morgan Stanley exercised its option to settle the accelerated share repurchase transaction prior to its

the Celera group were not separate legal entities, and holders of Applied Biosystems stock and holders of Celera stock were all stockholders of the Company. As a result, holders of these stocks were subject to all of the risks associated with an investment in the Company and all of its businesses, assets, and liabilities.

maturity and delivered to us an additional 1.9 million shares of Applied Biosystems stock, which supplements the shares that were received in October 2007.

Repurchases have also been made under standing resolutions of our board of directors to replenish shares of Applied Biosystems stock and Celera stock issued under our various stock plans. These resolutions, which have no time restrictions, delegate authority to management to purchase shares from time to time at price levels it deems appropriate through open market or negotiated purchases.

The following table provides transactions relating to our two classes of common stocks:

	Applied Biosystems Stock		Celera Stock
(Shares in millions)	Issued Shares	Treasury Stock Shares	Issued Shares
Balance at June 30, 2006	213.2	31.8	77.3
Purchases of shares for treasury stock		5.2	
Issuances of shares under stock plans	0.1	(6.1)	1.7
Balance at June 30, 2007	213.3	30.9	79.0
Purchases of shares for treasury stock		**17.9**	
Issuances of shares under stock plans	**0.1**	**(4.4)**	**1.0**
Balance at June 30, 2008	**213.4**	**44.4**	**80.0**

Stockholder Protection Rights Agreement

In connection with our recapitalization in 1999, we adopted a Stockholder Protection Rights Agreement (the "Rights Agreement") to protect stockholders against abusive takeover tactics. The Rights Agreement provides for the issuance of one right for every four shares of Applied Biosystems stock (an "Applied Biosystems Right"), which will allow holders to purchase one-thousandth of a share of our Series A participating junior preferred stock at a purchase price of $425, subject to adjustment (the "Series A Purchase Price"), and one right for every two shares of Celera stock (an "Celera Right"), which will allow holders to purchase one-thousandth of a share of our Series B participating junior preferred stock at a purchase price of $125, subject to adjustment (the "Series B Purchase Price").

An Applied Biosystems Right or an Celera Right will be exercisable only if a person or group ("Acquiring Person"): (a) acquires 15% or more of the shares of Applied business combination or the purchaser in any such sale or transfer having a market value equal to twice the Series A Purchase Price or Series B Purchase Price.

The rights are redeemable at our option at one cent per right prior to a person or group becoming an Acquiring Person.

In connection with the signing of the merger agreement with Invitrogen, the Company amended the Rights Agreement to provide that the merger will not result in the grant of rights to any person under the Rights Agreement or enable, require, or cause any Applied Biosystems Right to be exercised, distributed, or triggered under the Rights Agreement.

Note 8–Share-Based Compensation

Share-Based Plans

As discussed in Note 1, we adopted the fair value recognition provisions for share-based plans using the modified

Biosystems stock then outstanding or 15% or more of the shares of Celera stock then outstanding or (b) commences a tender offer that would result in such person or group owning such number of shares.

If any person or group becomes an Acquiring Person, each Applied Biosystems Right and each Celera Right will entitle its holder to purchase, for the Series A Purchase Price or the Series B Purchase Price, as applicable, a number of shares of the related class of our common stock having a market value equal to twice such purchase price.

If following the time a person or group becomes an Acquiring Person, we are acquired in a merger or other business combination transaction and we are not the surviving corporation; any person consolidates or merges with us and all or part of the common stock is converted or exchanged for securities, cash, or property of any other person; or 50% or more of our assets or earnings power is sold or transferred, each Applied Biosystems Right and each Celera Right will entitle its holder to purchase, for the Series A Purchase Price or Series B Purchase Price, as applicable, a number of shares of common stock of the surviving entity in any such merger, consolidation, or

prospective transition method provided by SFAS No. 123R. As of June 30, 2008, approximately 9.0 million shares of Applied Biosystems stock and 5.5 million shares of Celera stock were available for the grant of awards under our share-based plans. We settle share-based exercises primarily with treasury shares. The summary below describes our share-based plans.

1999 Stock Incentive Plans

Our stockholders first approved the Applied Biosystems Group 1999 Amended and Restated Stock Incentive Plan (the "Applied Biosystems Group Plan") and the Celera Group 1999 Amended and Restated Stock Incentive Plan (the "Celera Group Plan") in April 1999. The Applied Biosystems Group Plan authorizes grants of Applied Biosystems stock options, restricted stock units, and other equity awards. The Celera Group Plan authorizes grants of Celera stock options, restricted stock units, and other equity awards. Directors, officers, key employees, and consultants with responsibilities involving both the Applied Biosystems group and the Celera group may be granted awards under both incentive plans in a manner which reflects their responsibilities. Our board of directors believes that granting awards tied to the performance of the group in which the participants work and, in some cases the other group, is in the best interests of both the Company and its stockholders.

Stock Options

Options granted to our employees allow them to purchase shares of Applied Biosystems stock and Celera stock under the terms of the plans under which they were issued. In addition, members of our board of directors receive stock options for their service on our board. Our stock options are issued at their fair market value at grant date. Most options vest equally over a four-year service period and expire ten years from the grant date.

The following tables summarize option activity under our share-based plans for the fiscal years ended June 30:

	Applied Biosystems Stock			
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In millions)
Outstanding at June 30, 2005	35,348,668	$31.04		
Granted	965,250	25.44		
Exercised	(7,149,474)	19.07		
Cancelled	(2,532,788)	48.84		
Outstanding at June 30, 2006	26,631,656	32.40	5.56	$246.9
Granted	1,937,450	33.81		
Exercised	(5,609,142)	20.22		
Cancelled	(595,537)	63.98		
Outstanding at June 30, 2007	22,364,427	34.74	4.99	149.7
Granted	**389,600**	**33.30**		
Exercised	**(3,836,114)**	**20.33**		

Cancelled	**(687,293)**	**50.27**		
Outstanding at June 30, 2008	**18,230,620**	**37.15**	**4.24**	**$146.3**
Vested and expected to vest at June 30, 2006*	26,447,180	32.45	5.54	245.6
Vested and expected to vest at June 30, 2007*	21,774,499	34.83	4.87	148.7
Vested and expected to vest at June 30, 2008*	**18,020,894**	**37.20**	**4.19**	**145.9**
Exercisable at June 30, 2006	25,563,223	32.57	5.40	238.8
Exercisable at June 30, 2007	19,849,434	35.14	4.44	146.0
Exercisable at June 30, 2008	**16,331,720**	**37.73**	**3.74**	**142.4**

* The expected to vest amount represents the unvested options as of June 30, 2008, 2007, and 2006 less estimated forfeitures.

	Celera Stock			
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In millions)
Outstanding at June 30, 2005	10,412,800	$19.09		
Granted	80,300	11.51		
Exercised	(1,317,061)	9.63		
Cancelled	(1,273,845)	39.79		
Outstanding at June 30, 2006	7,902,194	17.44	5.34	$ 20.5
Granted	898,000	15.10		
Exercised	(1,400,838)	9.23		

Cancelled	(485,946)	28.02		
Outstanding at June 30, 2007	6,913,410	18.05	4.88	13.1
Granted	**212,900**	**14.98**		
Exercised	**(676,651)**	**8.77**		
Cancelled	**(268,128)**	**32.87**		
Outstanding at June 30, 2008	**6,181,531**	**18.32**	**4.24**	**$ 7.1**
Vested and expected to vest at June 30, 2006*	7,889,686	17.45	5.33	20.5
Vested and expected to vest at June 30, 2007*	6,704,416	18.15	4.74	13.1
Vested and expected to vest at June 30, 2008*	**6,072,186**	**18.38**	**4.17**	**7.1**
Exercisable at June 30, 2006	7,834,457	17.43	5.30	20.4
Exercisable at June 30, 2007	5,981,748	18.53	4.16	13.0
Exercisable at June 30, 2008	**5,303,531**	**18.87**	**3.50**	**7.1**

* The expected to vest amount represents the unvested options as of June 30, 2008, 2007, and 2006 less estimated forfeitures.

The following tables summarize information regarding options outstanding and exercisable at June 30, 2008:

(Option prices per share)	Number of Options	Weighted-Average Exercise Price
Applied Biosystems Stock		
Options Outstanding		
$15.54 - $ 18.91	**2,304,723**	**$15.80**
$19.15 - $ 20.42	**1,894,787**	**20.11**
$20.66 - $ 25.58	**6,091,667**	**22.72**
$26.62 - $ 35.99	**4,169,523**	**30.69**
$36.04 - $108.31	**3,769,920**	**89.23**
Options Exercisable		
$15.54 - $ 18.91	**2,304,723**	**$15.80**
$19.15 - $ 20.42	**1,859,749**	**20.13**
$20.66 - $ 25.58	**5,965,693**	**22.71**
$26.62 - $ 35.99	**2,464,135**	**29.09**
$36.04 - $108.31	**3,737,420**	**89.68**

(Option prices per share)	Number of Options	Weighted-Average Exercise Price
Celera Stock		
Options Outstanding		
$ 5.80 - $ 9.13	**1,952,328**	**$ 8.70**
$10.16 - $ 11.31	**1,551,102**	**10.46**
$11.44 - $ 18.90	**1,736,549**	**15.89**
$19.48 - $132.63	**941,552**	**55.68**
Options Exercisable		
$ 5.80 - $ 9.13	**1,952,328**	**$ 8.70**
$10.16 - $ 11.31	**1,549,351**	**10.46**
$11.44 - $ 18.90	**860,300**	**16.77**
$19.48 - $132.63	**941,552**	**55.68**

Restricted Stock Units

In fiscal 2006, we started granting restricted stock units to employees. These units represent rights to receive a share of the corresponding class of common stock on satisfaction of the applicable vesting conditions. The fair value of the units is determined and fixed on the grant date based on the applicable class of common stock. Restricted stock units with service conditions vest in four equal annual installments. Restricted stock units with performance conditions vest in various increments following the end of our fiscal year based on the terms of the awards and attainment of performance targets. At grant date, we make an initial assessment of which performance targets will be met. During the performance period we continue to monitor whether our initial assessment is still valid and we adjust our accruals if it becomes apparent that a different target level is more likely to be achieved. By the end of the requisite period, compensation cost is recognized to the extent the performance target is ultimately achieved. The following tables summarize restricted stock unit activity under our share-based plans for the fiscal years ended June 30:

	Applied Biosystems Stock			
	Number of Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In millions)
Outstanding at June 30, 2005		$ –		
Granted	1,187,173	26.78		
Vested	(141,675)	26.62		
Cancelled	(56,545)	26.62		
Outstanding at June 30, 2006	988,953	26.81	1.77	$ 32.0
Granted	603,825	34.40		
Vested	(240,779)	26.63		
Cancelled	(164,686)	28.62		
Outstanding at June 30, 2007	1,187,313	30.45	1.63	36.4
Granted	**1,219,727**	**33.10**		
Vested	**(448,752)**	**33.49**		
Cancelled	**(172,356)**	**30.31**		

Outstanding at June 30, 2008	**1,785,932**	**31.51**	**1.63**	**$ 60.0**
Vested and expected to vest at June 30, 2006*	946,157	26.81	1.64	30.5
Vested and expected to vest at June 30, 2007*	997,315	30.15	1.50	30.6
Vested and expected to vest at June 30, 2008*	**1,707,541**	**31.89**	**1.60**	**57.3**

* The expected to vest amount represents the unvested restricted stock units as of June 30, 2008, 2007, and 2006 less estimated forfeitures.

	Celera Stock			
	Number of Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In millions)
Outstanding at June 30, 2005		$ –		
Granted	461,470	11.41		
Cancelled	(2,375)	12.67		
Outstanding at June 30, 2006	459,095	11.41	2.46	$ 5.9
Granted	208,085	15.05		
Vested	(82,770)	12.02		
Cancelled	(18,779)	12.52		
Outstanding at June 30, 2007	565,631	12.62	1.78	7.0
Granted	**988,595**	**13.88**		
Vested	**(244,130)**	**13.37**		
Cancelled	**(121,219)**	**13.75**		
Outstanding at June 30, 2008	**1,188.877**	**11.44**	**1.46**	**$13.8**
Vested and expected to vest at June 30, 2006*	355,844	11.41	2.37	4.6

Vested and expected to vest at June 30, 2007*	465,162	12.57	1.66	5.8
Vested and expected to vest at June 30, 2008*	**1,183,048**	**13.77**	**1.47**	**13.6**

* The expected to vest amount represents the unvested restricted stock units as of June 30, 2008, 2007, and 2006 less estimated forfeitures.

As of June 30, 2008, we had $64.2 million of total unrecognized compensation costs related to nonvested awards and restricted stock units that are expected to be recognized over a weighted average period of approximately two years.

Employee Stock Purchase Plans

Our employee stock purchase plans offer U.S. and some non-U.S. employees the right to purchase shares of Applied Biosystems stock and/or Celera stock. Employees are eligible to participate through payroll deductions of up to 10% of their compensation. In the U.S., shares are purchased at 85% of the lower of the average market price at the beginning or the end of each three-month offering period. Provisions of the plan for employees in countries outside the U.S. vary according to local practice and regulations. Under the provisions of SFAS No. 123R, we recorded expense under these stock purchase plans of $2.7 million in fiscal 2008, $2.6 million in fiscal 2007, and $2.2 million in fiscal 2006. The following table presents shares issued under the employee stock purchase plans for the fiscal years ended June 30:

(Shares in thousands)	**2008**	2007	2006
Applied Biosystems stock	**328**	322	334
Celera stock	**248**	242	335

In connection with the proposed merger with Invitrogen, we have discontinued new offerings under the Employee Stock Purchase Plan.

Director Stock Purchase and Deferred Compensation Plan

We have a Director Stock Purchase and Deferred Compensation Plan that permits our non-employee directors to apply all or a portion of their annual retainer and other board fees to the purchase of common stock. Purchases of Applied Biosystems stock and Celera stock are made in a ratio approximately equal to the number of shares of Applied Biosystems stock and Celera stock outstanding. The purchase price is the fair market value on the date the retainer is earned. At June 30, 2008, we had 81,418 shares of Applied Biosystems stock and 26,821 shares of Celera stock that have been deferred under our 1993 Director Stock Purchase and Deferred Compensation Plan and are treated as vested stock units for accounting purposes. At June 30, 2008, we had approximately 288,000 shares of Applied Biosystems stock and approximately 68,000 shares of Celera stock available for issuance under this plan.

Restricted Stock

As part of our stock incentive plans, employees and non-employee directors have been granted shares of restricted stock that vest when certain continuous employment/service restrictions and/or specified performance goals are achieved. The fair value of shares granted is generally expensed over the restricted periods. The periods may vary depending on the estimated achievement of performance goals.

The following table summarizes nonvested share activity under our share-based plans during the fiscal years ended June 30:

	Applied Biosystems Stock		Celera Stock	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested at June 30, 2005	209,448	$20.98	60,834	$10.42
Granted	23,400	23.25	9,000	11.78
Vested	(143,782)	21.10	(53,112)	10.40
Nonvested at June 30, 2006	89,066	$21.47	16,722	$11.20
Granted	259,335	31.68	110,115	14.02
Vested	(141,461)	29.08	(50,427)	13.45
Cancelled	(16,250)	21.02		
Nonvested at June 30, 2007	190,690	$29.75	76,410	$13.78
Granted	**26,000**	**35.51**	**10,000**	**12.73**
Vested	**(107,045)**	**31.41**	**(42,705)**	**14.09**
Nonvested at June 30, 2008	**109,645**	**$29.49**	**43,705**	**$13.24**

The total fair value of shares that vested during fiscal 2008 was $4.0 million.

Performance Unit Bonus Plan

We adopted a Performance Unit Bonus Plan in fiscal 1997. This plan authorizes a performance unit bonus pool that is tied to the grant of corresponding options under our Applied Biosystems Group Plan and our Celera Group Plan.

Note 9–Additional Information

Selected Accounts

Performance units granted under the plan represent the right to receive cash from us at a specified date in the future. The amount of the payment for each grant is determined on the date of grant. Performance units can be granted in relation to Applied Biosystems stock or Celera stock. The performance units vest when the applicable class of common stock reaches and maintains specified price levels, based on its moving average price, for a specified period.

We did not grant any performance units in fiscal 2008, 2007, or 2006. As a result of performance targets being achieved in each fiscal year, we recognized compensation expense of $1.6 million in fiscal 2008, $2.0 million in fiscal 2007, and $0.7 million in fiscal 2006.

The following table provides the major components of selected accounts of the Consolidated Statements of Financial Position at June 30:

(Dollar amounts in millions)	**2008**	2007
Other Long-Term Assets		
Noncurrent deferred tax asset, net	**$313.8**	$499.1
Investment in unconsolidated subs	**25.1**	35.1
Prepaid pension benefit cost	**20.9**	38.6
Other	**90.9**	62.3
Total other long-term assets	**$450.7**	$635.1
Other Accrued Expenses		
Deferred revenues	**$128.1**	$107.9
Royalties	**38.3**	35.6
Other	**158.9**	126.1
Total other accrued expenses	**$325.3**	$269.6
Other Long-Term Liabilities		
Accrued postretirement benefits	**$52.4**	$56.3
Accrued pension benefits	**68.0**	59.4
Deferred compensation	**34.0**	35.6

Other	**89.4**	62.0
Total other long-term liabilities	**$243.8**	$213.3

Assets Held for Sale

In connection with the Celera group' s decision to exit its small molecule drug discovery and development programs as discussed in Note 2, the Celera group decided to pursue the sale of its South San Francisco, California facility. As a result of this decision, in fiscal 2006, we reclassified $11.5 million of property, plant and equipment into assets held for sale, which is classified in other current assets in our Consolidated Statements of Financial Position, and recorded a $5.8 million pre-tax charge that represented the write-down of the carrying amount of this facility to its then estimated market value less estimated selling costs. In fiscal 2007, we recorded an additional $6.8 million pre-tax charge for the facility. In the fourth quarter of fiscal 2008, we recorded an additional $0.3 million pre-tax charge that represented the write-down of the carrying amount of this facility to its then estimated market value less estimated selling costs. The sale of this facility is expected to occur by June 30, 2009.

Note 10–Debt and Lines of Credit

We maintain a $250 million unsecured revolving credit agreement with four banks that matures on May 25, 2012. This amount was increased from $200 million effective August 27, 2007, at our request in accordance with the terms of the agreement. Borrowings under this agreement may be made in U.S. dollars and other currencies, and bear interest at a fluctuating rate generally equal to Citibank, N.A.' s base rate or at a periodic fixed rate equal to LIBOR plus a margin of between 15 and 32.5 basis points based on our long-term senior unsecured non-credit enhanced debt ratings. Commitment and facility fees are also based on our long-term senior unsecured non-credit enhanced debt ratings. There were no borrowings outstanding under this agreement at June 30, 2008 and 2007.

On August 27, 2007, we entered into a $100 million unsecured term loan agreement with Bank of America, N.A. that matures on September 4, 2008. Upon the satisfaction of various conditions, we have the option to extend the maturity date on this agreement to September 4, 2010. If we exercise this option, we would then be required to make partial repayments each quarter, commencing after the original maturity date, equal to 3 percent of the original principal amount of the loan. Borrowings under this agreement bear

Both the revolving credit agreement and the term loan agreement require that we maintain a debt to total capital ratio, as defined in each agreement, of not more than 0.50:1:00.

The amounts borrowed under the revolving credit agreement and the unsecured term loan agreement with Bank of America, N.A. were used to fund the repurchase of shares of Applied Biosystems stock and were allocated entirely to the Applied Biosystems group. See Note 7 to our consolidated financial statements for further information related to our repurchase of shares.

The weighted average interest rate on all amounts outstanding under these agreements at June 30, 2008 was 4.26%.

In connection with the acquisition of BHL, we assumed approximately $10.8 million of floating and fixed rate debt, mostly secured by BHL' s accounts receivable and other certain fixed assets. As of June 30, 2008, $0.1 million in unsecured debt remains. See Note 3 for additional information on the BHL acquisition.

Note 11–Commitments, Contingencies, and Guarantees

Future minimum payments at June 30, 2008, under non-cancelable operating leases for real estate and equipment were as follows:

(Dollar amounts in millions)	
2009	**$42.2**
2010	**33.8**
2011	**20.8**
2012	**11.2**
2013	**9.6**

interest at a fluctuating rate generally equal to Bank of America, N.A.' s base rate or at a periodic fixed rate equal to LIBOR plus a margin of between 20 and 40 basis points based on our long-term senior unsecured non-credit enhanced debt ratings. As of June 30, 2008, there was $100 million outstanding under this agreement, classified as loans payable in the Consolidated Statement of Financial Position.

2014 and thereafter	**22.2**
Total	**$139.8**

We recorded rental expense of $51.4 million for fiscal 2008, $46.8 million for fiscal 2007, and $45.7 million for fiscal 2006.

Guarantees

There are three types of guarantees related to our business activities that are included in the scope of FIN 45, ''Guarantor' s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of Statement of Financial Accounting Standards Nos. 5, 57, and 107 and rescission of FIN 34'': leases with recourse provisions; the guarantee of pension benefits for a divested business; and product warranties. See Note 1 to our consolidated financial statements for more information on product warranties.

Leases

We provide lease-financing options to our customers through third party financing companies. For some leases, the financing companies have recourse to us for any unpaid principal balance on default by the customer. The leases typically have terms of two to three years and are secured by the underlying instrument. In the event of default by a customer, we would repossess the underlying instrument. We record revenues from these transactions on the completion of installation and acceptance of products and maintain a reserve for estimated losses on all lease transactions with recourse provisions based on historical default rates and current economic conditions. At June 30, 2008, the financing companies' outstanding balance of lease receivables with recourse to us was $5.7 million. We believe that we could recover the entire balance from the resale of the underlying instruments in the event of default by all customers.

Pension Benefits

As part of the divestiture of our Analytical Instruments business in fiscal 1999, the purchaser of the Analytical Instruments business is paying for the pension benefits for employees of a former German subsidiary. However, we guaranteed payment of these pension benefits should the purchaser fail to do so, as these payment obligations were not transferable to the buyer under German law. The guaranteed payment obligation, which approximated $58 million at June 30, 2008, is not expected to have a material adverse effect on our Consolidated Statements of Financial Position.

Indemnifications

In the normal course of business, we enter into some agreements under which we indemnify third parties for intellectual property infringement claims or claims arising from breaches of representations or warranties. In addition, from time to time, we provide indemnity protection to third parties for claims relating to past performance arising from undisclosed liabilities, product liabilities, environmental obligations, representations and warranties, and other claims. In these agreements, the scope and amount of remedy, or the period in which claims can be made, may be limited. It is not possible to determine the maximum potential amount of future

Legal Proceedings

We are involved in various lawsuits, arbitrations, investigations, and other legal actions from time to time with both private parties and governmental entities. These legal actions currently involve, for example, commercial, intellectual property, antitrust, environmental, securities, and employment matters. The following is a description of some claims we are currently defending, including some counterclaims brought against us in response to claims filed by us against others. We believe that we have meritorious defenses against the claims currently asserted against us, including those described below, and intend to defend them vigorously. However, the outcome of legal actions is inherently uncertain, and we cannot be sure that we will prevail in our defense of claims currently asserted against us. An adverse determination in the cases we are currently defending, particularly the claims against us described below under the heading "Commercial Litigation," could harm us.

Commercial Litigation

Enzo Biochem, Inc., Enzo Life Sciences, Inc., and Yale University filed a patent infringement action against us in the U.S. District Court for the District of Connecticut on June 7, 2004. The complaint alleges that we are infringing six patents. Four of these patents are assigned to Yale University and licensed exclusively to Enzo Biochem, i.e., U.S. Patent No. 5,476,928, entitled "Modified Nucleotides and Polynucleotides and Complexes Form Therefrom," U.S. Patent No. 5,449,767, entitled "Modified Polynucleotides and Methods of Preparing Same," U.S. Patent No. 5,328,824 entitled "Methods of Using Labeled Nucleotides," and U.S. Patent No. 4,711,955, entitled "Modified Nucleotides and Methods of Preparing and Using Same." These four patents have since expired. The other two patents are assigned to Enzo Life Sciences, i.e., U.S. Patent No. 5,082,830 entitled "End Labeled Nucleotide Probe" and U.S. Patent No. 4,994,373 entitled "Method and Structures Employing Chemically – Labelled Polynucleotide Probes." The allegedly infringing products include the Applied Biosystems group' s sequencing reagent kits, its TaqMan® genotyping and gene expression assays, and the gene expression microarrays used with its Expression Array System. Enzo Biochem, Enzo Life Sciences, and Yale University are seeking monetary damages, costs, expenses, injunctive relief, and other relief as the court deems proper. In August and September, 2007, the court issued a series of orders favorable to us and dismissing all of these claims, but Enzo may seek to appeal

payments, if any, due under these indemnities due to the conditional nature of the obligations and the unique facts and circumstances involved in each agreement. Historically, payments made related to these indemnifications have not been material to our consolidated financial position.

those orders to the United States Court of Appeals for the Federal Circuit.

Molecular Diagnostics Laboratories filed a class action complaint against us, Hoffmann-La Roche Inc., and Roche Molecular Systems, Inc. in the U.S. District Court for the District of Columbia on September 23, 2004, and filed an

amended complaint on July 5, 2006. The amended complaint alleges anticompetitive conduct in connection with the sale of Taq DNA polymerase. The anticompetitive conduct is alleged to arise from the prosecution and enforcement of U.S. Patent No. 4,889,818. This patent is assigned to Roche Molecular Systems, with whom we have a commercial relationship covering, among other things, this patent and the sale of Taq DNA polymerase. The complaint seeks monetary damages, costs, expenses, injunctive relief, and other relief as the court deems proper. On July 5, 2006, the court certified the case as a class action.

We are involved in several legal actions with Thermo Electron Corporation and its subsidiary Thermo Finnigan LLC. These legal actions commenced when we, together with MDS, Inc. and our Applied Biosystems/MDS Analytical Technologies Instruments joint venture with MDS, formerly named Applied Biosystems/MDS SCIEX Instruments, filed a patent infringement action against Thermo Electron in the U.S. District Court for the District of Delaware on September 3, 2004. The complaint alleges infringement by Thermo Electron of U.S. Patent No. 4,963,736, and seeks monetary damages, costs, expenses, and other relief as the court deems proper. Thermo Electron has answered the complaint and counterclaimed for declaratory relief that the '736 patent is invalid, not infringed, and unenforceable, and is seeking dismissal of our complaint, a judgment that the '736 patent is invalid, not infringed, and unenforceable, costs and expenses, and other relief as the court deems proper. After the filing of the action against Thermo Electron, on December 8, 2004, Thermo Finnigan filed a patent infringement action against us in the U.S. District Court for the District of Delaware. The complaint alleges that we have infringed U.S. Patent No. 5,385,654 as a result of, for example, the Applied Biosystems group's commercialization of the ABI PRISM® 3700 Genetic Analyzer. Thermo Finnigan is seeking monetary damages, costs, expenses, and other relief as the court deems proper. We have answered the complaint and counterclaimed for declaratory relief that the '654 patent is invalid, not infringed, and unenforceable, and are seeking dismissal of Thermo Finnigan's complaint, a judgment that the '654 patent is invalid, not infringed, and unenforceable, costs and expenses, and other relief as the court deems proper. Thermo Finnigan subsequently filed a second patent infringement action against us, MDS, and the Applied Biosystems/MDS Analytical Technologies Instruments joint venture in the U.S. District Court for the District of Delaware on February 23, 2005. The complaint alleges that we and the other defendants have infringed U.S. Patent No. 6,528,784 as a result of, for example, our commercialization of the API 5000™ LC/MS/MS system. Thermo Finnigan is seeking monetary damages, costs, expenses, and other relief as the complaint, a judgment that the '784 patent is invalid and not infringed, costs and expenses, and other relief as the court deems proper.

We filed a complaint for patent infringement against Michigan Diagnostics LLC on March 26, 2007, in the U.S. District Court for the District of Massachusetts. We amended the complaint on April 5, 2007. The amended complaint alleges infringement by Michigan Diagnostics of U.S. Patent Nos. 6,514,717, 6,322,727 and 6,107,024, which are related to chemiluminescent products and methods, and seeks monetary damages, costs, expenses, injunctive, and other relief as the court deems proper. Michigan Diagnostics filed an answer and counterclaims to our complaint on January 7, 2008, seeking a declaratory judgment of non-infringement, invalidity, and unenforceability of approximately 60 patents related to chemiluminescent products and methods, and including antitrust claims based on our alleged misconduct in our alleged enforcement of those patents.

We filed a complaint on May 31, 2007, in the U.S. District Court for the Northern District of California against Illumina, Inc., Solexa Inc., and a former chief patent counsel to our company, seeking an injunction restoring to us patents and patent applications that were filed by the former chief patent counsel but are on their face assigned to Solexa, which was acquired by Illumina in January 2007. The complaint also seeks a declaration of our rights and duties regarding infringement of these patents, in addition to monetary damages, costs, expenses, and other relief as the court deems proper. On August 13, 2007, Solexa filed its answer to the complaint and counterclaimed that we make, use, sell, and offer for sale DNA sequencing products that infringe the patents, U.S. Patent Nos. 5,750,341, 5,969,119, 6,306,597. Solexa is seeking monetary damages, costs, expenses, injunctive relief, and other relief as the court deems proper.

On June 9, 2008, Fluidigm Corporation filed a complaint against us in the U.S. District Court for the Southern District of New York seeking a declaratory judgment of non-infringement and invalidity of our U.S. Patent No. 6,814,934, which relates to instruments for real-time PCR detection. The complaint also seeks costs, expenses and other relief as the court deems proper.

On June 30, 2008, Corbett Life Science, Corbett Robotics Inc., and Corbett Research Pty Ltd. filed a complaint against

court deems proper. We have answered the complaint and counterclaimed for declaratory relief that the ‘784 patent is invalid and not infringed, and are seeking dismissal of Thermo Finnigan’s

us in the U.S. District Court for the Northern District of California seeking a declaratory judgment of non-infringement, invalidity, and unenforceability of our U.S. Patent No. 6,814,934, which relates to instruments for real-time PCR detection. The complaint also seeks costs, expenses and other relief as the court deems proper.

Other Legal Proceedings

We and some of our officers are defendants in a lawsuit brought on behalf of purchasers of Celera stock in our follow-on public offering of Celera stock completed on March 6, 2000. In the offering, we sold an aggregate of approximately 4.4 million shares of Celera stock at a public offering price of $225 per share. The lawsuit, which was commenced with the filing of several complaints in April and May 2000, is pending in the U.S. District Court for the District of Connecticut, and an amended consolidated complaint was filed on August 21, 2001. The consolidated complaint generally alleges that the prospectus used in connection with the offering was inaccurate or misleading because it failed to adequately disclose the alleged opposition of the Human Genome Project and two of its supporters, the governments of the U.S. and the U.K., to providing patent protection to our genomic-based products. Although the Celera group never sought, or intended to seek, a patent on the basic human genome sequence data, the complaint also alleges that we did not adequately disclose the risk that the Celera group would not be able to patent this data. The consolidated complaint seeks monetary damages, rescission, costs and expenses, and other relief as the court deems proper. On March 31, 2005, the court certified the case as a class action.

Celera Separation Indemnity Provisions

On May 8, 2008, we entered into a Separation Agreement with Celera Corporation, at that time one of our wholly-owned subsidiaries, to separate all of the business, assets, and liabilities of the Celera group from our remaining business. This separation was completed on July 1, and Celera Corporation is now an independent company that holds all of the business, assets, and liabilities previously attributed to the Celera group.

Under the terms of the Separation Agreement, Celera Corporation has agreed to indemnify us for losses we incur in connection with the class action lawsuit relating to the 2000 offering of Celera stock, described above. Celera Corporation has also agreed to indemnify us for losses we incur in connection with the Enzo Biochem/Enzo Life Sciences/Yale University Molecular Diagnostics, Fluidigm, and Corbett legal actions described above, but only to the extent that, after a final resolution of these matters, the losses are determined to or Corbett legal actions. The Separation Agreement contains similar provisions for future legal actions against us that may involve both the Applied Biosystems and Celera businesses, and for the same reasons it is inherently uncertain whether we would be able to seek or recover any indemnity payments from Celera Corporation for losses incurred in any future legal actions. Under the Separation Agreement the amount of any indemnity payable to us for losses from any of these legal actions would be reduced by the amount of any insurance proceeds we receive covering the underlying loss, as well as the tax benefit realized because of the loss.

Other than for items deemed not material, we have not accrued for any potential losses in any of the legal proceedings described above because we believe that an adverse determination is not probable, and potential losses cannot be reasonably estimated, in any of these proceedings. However, the outcome of legal actions is inherently uncertain, and we cannot be sure that we will prevail in any of the proceedings described above or in our other legal actions. An adverse determination in some of our current legal actions, particularly the proceedings described above, could have a material adverse effect on us and our consolidated financial statements.

Note 12–Financial Instruments

Our foreign currency risk management strategy uses derivative instruments to hedge various foreign currency forecasted revenues and intercompany transactions and to offset the impact of changes in currency rates on various foreign currency-denominated assets and liabilities. The principal objective of this strategy is to minimize the risks and/or costs associated with our global financing and operating activities. We use forward, option, and range forward contracts to manage our foreign currency exposures. Our foreign currency exposures vary, but are primarily concentrated in euro, Japanese yen, and British pound. We do not use derivative financial instruments for trading or speculative purposes nor for activities other than risk management, and we are not a party to leveraged derivatives.

We record the fair value of foreign currency derivative contracts in either prepaid expenses and other current assets

relate to the business, assets, or liabilities of the Celera group. This determination, however, would require the agreement of Celera Corporation, and if agreement could not be reached we would need to seek to resolve any dispute pursuant to the procedures set forth in the Separation Agreement. Accordingly, we cannot provide any assurances as to whether or to what extent we may seek or obtain indemnity payments from Celera Corporation for losses incurred in connection with the Enzo Biochem/Enzo Life Sciences/Yale University, Molecular Diagnostics, Fluidigm, or other accrued expenses in the Consolidated Statements of Financial Position.

Cash Flow Hedges

Our international sales are typically denominated in the local currency of the customer, whether third party or intercompany. We use forward, option, and range forward contracts to hedge a portion of forecasted international sales not denominated in U.S. dollars. We use hedge accounting on the derivative contracts to offset changes in the value of various forecasted sales transactions caused

by the movements in currency rates. We designate these contracts as cash flow hedges and we record the effective portion of the change in the fair value of these contracts in other comprehensive income in the Consolidated Statements of Financial Position until the underlying forecasted transaction affects earnings. At that time, we reclassify to net revenues in the Consolidated Statements of Operations the gain or loss on the derivative instrument which had been deferred in accumulated other comprehensive income. We recognized a net loss of $24.8 million in fiscal 2008, a net loss of $2.3 million in fiscal 2007, and a net gain of $12.9 million in fiscal 2006 in net revenues from derivative instruments designated as cash flow hedges of anticipated sales. At June 30, 2008, we recorded $11.5 million of net derivative losses in accumulated other comprehensive income. This amount, which is net of tax, is expected to be reclassified to revenues within the next twelve months.

Because the critical terms of the derivative contracts designated as cash flow hedges and the underlying forecasted sales transactions are the same, we expect that the changes in the value of the underlying exposure will be offset completely by the changes in the fair value of the derivative contracts, both at inception and on an ongoing basis. Our ongoing assessment of hedge effectiveness includes verifying and documenting that the critical terms of the hedge and forecasted transaction have not changed. We recorded less than $0.1 million of net losses during fiscal 2008 and 2007, and less than $0.1 million of net gain during fiscal year 2006 due to hedge ineffectiveness. The maximum maturity of our cash flow hedges is twelve months. In fiscal 2006, we discontinued hedge accounting for a small portion of our cash flow hedges. As a result, we recorded a net gain of approximately $0.1 million during both fiscal 2007 and fiscal 2006 related to the discontinued portion of these hedges.

Other Foreign Currency Derivatives

We also use derivative financial instruments to hedge the impact resulting from changes in exchange rates on various foreign currency-denominated net asset positions. The gains and losses on these derivatives are expected to largely offset transaction losses and gains on the underlying foreign currency-denominated assets and liabilities, both of which are rated domestic and international financial institutions. In the event of non-performance by these counterparties, the carrying values of our financial instruments (see table below) represent the maximum amount of loss we would have incurred as of our fiscal year-end. However, we do not expect to record any losses as a result of counterparty default. We do not require and are not required to pledge collateral for these financial instruments. Other financial instruments that potentially subject us to concentrations of credit risk are cash and cash equivalents, short-term investments, and accounts receivable. We attempt to minimize the risks related to cash and cash equivalents and short-term investments by using highly-rated financial institutions that invest in a broad and diverse range of financial instruments. We have established guidelines relative to credit ratings and maturities intended to maintain safety and liquidity.

Concentration of credit risk with respect to accounts receivable is limited due to our large and diverse customer base, which is dispersed over different geographic areas. Allowances are maintained for potential credit losses and such losses have historically been within our expectations.

Fair Value

We use various methods to estimate the fair value of financial instruments we hold or own. The carrying amount of cash and cash equivalents approximates fair value. We use quoted market prices, if available, or quoted market prices of financial instruments with similar characteristics in valuing our short-term investments and minority equity investments. The following table presents the carrying amounts and fair values of our significant financial instruments at June 30:

	2008		2007	
(Dollar amounts in millions)	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	**$589.0**	**$589.0**	$323.2	$323.2
Short-term investments	**290.4**	**287.7**	734.1	732.8
Currency forwards and options	**(0.6)**	**(17.5)**	2.9	2.6

recorded in other income (expense), net in the Consolidated Statements of Operations.

Concentration of Credit Risk

The forward and option contracts used in managing our foreign currency exposures have an element of risk in that the counterparties may be unable to meet the terms of the agreements. We attempt to minimize this risk by limiting the counterparties to a diverse group of highly-

Other investments	**34.0**	**34.0**	35.6	35.6
Minority equity investments	**0.8**	**1.8**	9.1	16.1

We report net unrealized gains and losses on short-term investments and minority equity investments as a separate component of accumulated other comprehensive income in the Consolidated Statements of Financial Position.

Note 13–Quarterly Financial Information (Unaudited)

The following is a summary of quarterly financial results:

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
(Dollar amounts in millions except per share amounts)	**2008(a)**	2007(b)	**2008(c)**	2007(d)	**2008(e)**	2007(f)	**2008(g)**	2007(h)
Consolidated								
Net revenues	**$516.7**	$485.4	**$601.4**	$541.9	**$591.4**	$539.0	**$652.0**	$566.2
Gross margin	**292.4**	261.3	**355.2**	302.5	**340.3**	302.9	**374.5**	314.3
Net income (loss)	**61.7**	(66.0)	**86.6**	74.5	**75.2**	70.9	**(9.7)**	79.9
Applied Biosystems Group								
Net revenues	**$501.2**	$476.3	**$561.9**	$530.0	**$552.6**	$529.9	**$609.0**	$557.3
Gross margin	**279.9**	255.6	**326.7**	294.5	**314.3**	298.6	**343.8**	308.6
Income (loss) from continuing operations	**60.9**	(58.7)	**86.3**	74.8	**82.9**	75.5	**86.5**	79.3
Net income (loss)	**60.9**	(58.7)	**86.3**	74.8	**82.9**	75.5	**86.5**	87.8
Dividends declared per share	**$.0425**	$.0425	**$.0425**	$.0425	**$.0425**	$.0850	**$.0425**	$–
Income (loss) per share from continuing operations								
Basic	**$0.33**	$(0.32)	**$0.50**	$0.41	**$0.49**	$0.41	**$0.51**	$0.43
Diluted	**$0.32**	$(0.32)	**$0.49**	$0.39	**$0.48**	$0.39	**$0.50**	$0.42
Net income per share								

Basic	**$0.33**	$(0.32)	**$0.50**	$0.41	**$0.49**	$0.41	**$0.51**	$0.48
Diluted	**$0.32**	$(0.32)	**$0.49**	$0.39	**$0.48**	$0.39	**$0.50**	$0.46
Celera Group								
Net revenues	**$16.1**	$10.2	**$40.3**	$13.2	**$39.5**	$9.8	**$43.5**	$10.2
Gross margin	**13.0**	6.4	**29.0**	8.7	**26.3**	4.4	**31.3**	6.3
Net income (loss)	**0.7**	(7.1)	**0.3**	(0.5)	**(7.4)**	(4.5)	**(96.2)**	(7.8)
Net income (loss) per share								
Basic and diluted	**$0.01**	$(0.09)	**$0.00**	$(0.01)	**$(0.09)**	$(0.06)	**$(1.20)**	$(0.10)
Price range of common stock								
Applied Biosystems Group								
High	**$35.00**	$33.59	**$37.67**	$39.49	**$34.73**	$37.59	**$35.54**	$31.41
Low	**29.51**	29.86	**32.63**	32.48	**28.86**	28.35	**28.75**	27.79
Celera Group								
High	**14.50**	14.69	**17.00**	15.61	**16.46**	16.55	**15.88**	14.91
Low	**11.39**	12.30	**13.93**	13.21	**12.90**	12.88	**11.35**	11.63

There were no dividends paid on Celera stock during the periods presented.

The following transactions impacted the comparability between fiscal 2008 and 2007 and are discussed in detail in Note 2.

(a) The Applied Biosystems group recorded a pre-tax gain of $7.6 million primarily related to a settlement and licensing agreement. The Applied Biosystems group also recorded tax charges of $1.8 million primarily related to the recalculation of deferred tax assets as a result of a decrease in the statutory tax rate in Germany.

(b) The Applied Biosystems group recorded a pre-tax charge of $114.3 million to write-off the value of acquired in-process research and development in connection with the APG acquisition and also recorded a pre-tax charge of $9.1 million related to the resolution of a legal dispute. The Applied Biosystems group recorded a tax benefit of $8.8 million related to a reduction in the valuation allowance for German net operating loss carryforwards. The Celera group recorded a pre-tax charge of $3.5 million for its estimated share of a damage award in continuing litigation between Abbott Laboratories, our alliance partner, and Innogenetics N.V.

(c) The Applied Biosystems group recorded pre-tax items of $2.9 million related to severance charges and also recorded a gain of approximately $2.6 million related to the sale of an investment. The Applied Biosystems group recorded tax charges of $0.5 million related to foreign tax settlements. The Celera group recorded a pre-tax charge of $0.4 million related to restructuring costs.

(d) The Applied Biosystems group recorded pre-tax benefits of $7.8 million related to legal settlements. The Celera group recorded a $2.4 million pre-tax benefit related to the settlement of a litigation matter associated with the Online/Information Business and a pre-tax gain of $2.5 million from the sale of a small molecule drug discovery and development program. In addition, the Celera group recorded a pre-tax charge of $2.5 million primarily related to additional restructuring costs associated with its decision to exit small molecule discovery and development. The Celera group recorded a tax benefit of $1.0 million related to the R&D tax credit generated between January 1, 2006 and June 30, 2006.

(e) The Applied Biosystems group recorded $1.1 million in costs related to the separation of Celera. The Applied Biosystems group also recorded tax benefits of $9.6 million resulting primarily from the settlement of IRS and foreign audits as well as tax benefits identified during the tax return preparation. The Celera group recorded pre-tax charges of $2.2 million related to restructuring costs, $1.1 million of costs related to its separation, an investment write-down of $3.1 million, and a pre-tax gain of $1.1 million from a legal settlement. The Celera group recorded a pre-tax charge of $0.6 million related to the settlement of the patent infringement suit with Innogenetics. The Celera group also recorded a charge of $0.7 million related to R&D tax credits.

(f) The Applied Biosystems group recorded tax benefits of $8.1 million resulting from a valuation allowance release and tax benefits identified during the tax return preparation. The Celera group recorded a $0.4 million tax benefit for R&D credits.

(g) The Applied Biosystems group recorded pre-tax charges of $2.6 million in costs related to the separation of Celera, $5.9 million for restructuring charges, primarily severance-related, a pre-tax charge of $7.8 million for costs associated with the proposed combination with Invitrogen, and a pre-tax gain of $25.0 million for gains on the sales of investments. The Applied Biosystems group recorded a net tax benefit of $0.5 million related to foreign tax matters. The Celera group recorded a pre-tax charge of $2.6 million in costs related to its separation, a $0.2 million pre-tax benefit for a reduction in litigation costs, and an asset impairment charge of $0.3 million. The Celera group recorded a tax charge of $90.6 million primarily related to the establishment of a valuation allowance against the Celera group` s deferred tax assets.

(h) The Applied Biosystems group recorded a pre-tax benefit of $3.5 million from the receipt of past royalties under patent licenses. The Applied Biosystems group recorded a net tax benefit of $6.9 million primarily related to foreign tax settlements and the reduction of foreign valuation allowances. The Celera group recorded a pre-tax restructuring charge of $3.8 million for an additional asset impairment associated with the previous decision to exit small molecule drug discovery and development. The Celera group recorded a pre-tax restructuring charge of $0.5 million for employee-related costs, primarily severance.

Note 14–Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss), net of tax, for fiscal 2008, 2007, and 2006 was as follows:

(Dollar amounts in millions)	Unrealized Gain (Loss) on Investments	Unrealized Gain (Loss) on Hedge Contracts	Foreign Currency Translation Adjustments	Minimum Pension Liability	Unamortized Pension and Postretirement	Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2005	$ 2.9	$ 6.5	$46.9	$(98.1)	$ –	$(41.8)
Change in net unrealized losses on investments, net of tax benefit of $–	(0.3)					(0.3)
Change in net unrealized gains on hedge contracts, net of tax expense of $0.2		0.3				0.3
Net unrealized gains reclassified into earnings, net of tax expense of $4.6		(8.3)				(8.3)
Foreign currency translation adjustments			0.6			0.6
Minimum pension liability adjustment, net of tax expense of $48.7				90.4		90.4
Balance at June 30, 2006	2.6	(1.5)	47.5	(7.7)		40.9

Change in net unrealized gains on investments, net of tax expense of $0.9	1.4				1.4
Net unrealized gains reclassified into earnings, net of tax expense of $0.3	(0.4)				(0.4)
Change in net unrealized gains on hedge contracts, net of tax benefit of $0.2		1.2			1.2
Net unrealized losses reclassified into earnings, net of tax benefit of $1.1		1.2			1.2
Foreign currency translation adjustments			18.5		18.5
Minimum pension liability adjustment, net of tax expense of $0.2				0.3	0.3
Subtotal	3.6	0.9	66.0	(7.4)	63.1
Adoption of SFAS No. 158, net of tax benefit of $40.3				7.4 (59.1)	(51.7)
Balance at June 30, 2007	3.6	0.9	66.0	(59.1)	11.4
Change in net unrealized gains on investments, net of tax expense of $5.4	**9.2**				**9.2**
Net unrealized gains reclassified into earnings, net of tax expense of $8.1	**(13.8)**				**(13.8)**
Change in net unrealized losses on hedge contracts, net of tax benefit of $15.7		**(28.0)**			**(28.0)**
Net unrealized losses reclassified into earnings, net of tax benefit of $9.2		**15.6**			**15.6**
Foreign currency translation adjustments			**24.0**		**24.0**

Pension and postretirement adjustment, net of tax benefit of $4.9					(14.2)	(14.2)
Balance at June 30, 2008	**$ (1.0)**	**$(11.5)**	**$90.0**	**$ –**	**$(73.3)**	**$ 4.2**

The unrealized gains and losses on investments consist of investments in debt securities and minority equity investments in public companies that are classified as available-for-sale. The gains and losses recorded above resulted from temporary appreciations and declines in the market value of the investments based on the most recent public information available. See Note 1 to our consolidated financial statements for the accounting policies related to our investments. The currency translation adjustments are not currently adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.

Note 15–Discontinued Operations

During fiscal 2007, we recorded an $8.5 million tax benefit attributable to the settlement of German tax audits related to one of our former German affiliates. During fiscal year 2008, we received $12.9 million in cash related to the settlement of these audits.

Note 16–Celera Diagnostics and Abbott Alliance Restructuring

Celera Diagnostics Restructuring

Through December 31, 2005, we operated a diagnostics business known as Celera Diagnostics. This business was a 50/50 joint venture between the Applied Biosystems group and the Celera group. In January 2006, we announced that our board of directors had approved a restructuring of the Celera Diagnostics joint venture. As a result of the restructuring, the Applied Biosystems group's interest in Celera Diagnostics was transferred to the Celera group in exchange for various considerations to the Applied Biosystems group.

The financial elements of the consideration provided to the Applied Biosystems group in connection with the restructuring of Celera Diagnostics included $30 million in cash, which was funded by available cash, and the Celera group's agreement to forgive future royalties due through 2017 on sales of the Applied Biosystems group's products under the terms of a marketing and distribution agreement between the Groups, which is described in Note 17 to our consolidated financial statements. As a result of the separation of Celera, the marketing and distribution agreement is no longer effective.

detection, prediction of disease predisposition, disease progression monitoring, and therapy selection. Specifically, under the agreement the two companies are working together to commercialize nucleic acid-based (DNA or RNA) diagnostic products, also referred to as molecular diagnostic products. The Celera group and Abbott have agreed to work exclusively with each other, primarily through a profit-sharing arrangement, in specifically agreed areas of nucleic acid-based diagnostic products. Both companies may work independently outside the exclusive areas. The alliance agreement was amended in our 2006 fiscal year to permit the Applied Biosystems group to develop and sell diagnostic instruments to end-users for clinical diagnostic applications, an activity that was previously restricted under the alliance agreement. Development of diagnostic products based on the detection of proteins, rather than nucleic acids, is another potential business area for the Celera group but is not a part of the agreement with Abbott.

Under the Abbott alliance agreement, the Celera group and Abbott conduct separate but coordinated research and development activities that are within the scope of the alliance. The coordinated activities include the sharing of scientific results and collaboration regarding the technology and instrumentation that their alliance products will use. The alliance agreement with Abbott permits the Celera group to form collaborations and relationships with other companies to support its research activities. Under the profit-sharing arrangement, the parties share equally in the costs of their separate research and development activities under the alliance, and then share equally in any profits or losses resulting from the marketing and sales of alliance products whether developed by Celera or Abbott. Additionally, under the Abbott alliance agreement, the two companies share equally in the funding of both the working capital requirements as well as the investing activities of the alliance.

Generally, Abbott is the worldwide distributor of products developed and manufactured by the parties that are covered by the alliance. The Celera group believes that Abbott's expertise in the diagnostics industry and its global distribution system enhances the Celera group's ability to bring diagnostic products to market. Also, the Abbott alliance covers some products that are manufactured by other companies and marketed by Abbott. Although most products marketed by Abbott under the alliance agreement are

Abbott Strategic Alliance

The Celera group has a long term strategic alliance agreement with Abbott Laboratories, a global health care company. The term of the strategic alliance agreement runs until June 2017. We formed the alliance with Abbott to discover, develop, and commercialize *in vitro*, meaning outside of the living body, diagnostic products for disease covered by the profit-sharing arrangement, some of the products manufactured by other companies are not part of the profit-sharing arrangement, and instead the Celera group is entitled to a royalty based on sales by Abbott.

The Abbott alliance agreement was assigned to Celera Corporation in connection with the separation of Celera from the Company.

Note 17–Segment, Geographic, Customer and Consolidating Information

Business Segments

We are organized based on the products and services that we offer. Prior to July 1, 2008, we operated in the life science industry through two reportable segments: the Applied Biosystems group and the Celera group. The Applied Biosystems group was and is a global leader in the development and marketing of instrument-based systems, consumables, software, and services for academic research, the life science industry, and commercial markets. The Applied Biosystems group commercializes innovative technology solutions for DNA, RNA, protein, and small molecule analysis. Customers across the disciplines of academic and clinical research, pharmaceutical research, and manufacturing, forensic DNA analysis, and agricultural biotechnology use its products and services to accelerate scientific discovery, improve processes related to drug discovery and development, detect potentially pathogenic microorganisms, and identify individuals based on DNA sources. The Applied Biosystems group has a comprehensive service and field applications support team for a global installed base of high-performance genetic and protein analysis solutions. The Celera group was a diagnostics business that delivered personalized disease management through a combination of products and services incorporating proprietary discoveries. BHL, a subsidiary of the Celera group, offered clinical laboratory testing services to characterize cardiovascular disease risk and improve patient management. The Celera group also commercialized a wide range of molecular diagnostic products through its strategic alliance with Abbott Laboratories, which began in June 2002, and licensed its diagnostic technologies to clinical laboratories to provide personalized disease management in cancer and liver diseases. The term of the strategic alliance agreement runs until June 2017.

Through December 31, 2005, we operated a diagnostics business known as Celera Diagnostics. This business was a 50/50 joint venture between the Applied Biosystems group and the Celera group. Effective January 1, 2006, the Celera group acquired the Applied Biosystems group' s 50 percent interest in the Celera Diagnostics joint venture and it now owns 100 percent of Celera Diagnostics. As a result of this common stock. Effective with the Celera separation, we changed our corporate name to Applied Biosystems Inc. and the Celera group is no longer a reportable segment.

Refer to the consolidating information section of this note for additional information regarding our segments.

Principal Product Categories

Information concerning principal product categories for the Applied Biosystems group for the fiscal years ended June 30 follows:

(Dollar amounts in millions)	**2008**	2007	2006
Net Revenues From External Customers			
DNA Sequencing	**$ 573.9**	$ 557.6	$ 539.9
Real-Time PCR/Applied Genomics	**803.4**	704.6	600.4
Mass Spectrometry	**539.2**	525.4	465.3
Core PCR & DNA Synthesis	**199.8**	190.5	198.4
Other Product Lines	**108.4**	115.4	107.2
Total	**$2,224.7**	$2,093.5	$1,911.2

The Celera group product revenues consist mainly of equalization payments from Abbott as well as sales of *in vitro* diagnostic ("IVD") products to Abbott under an alliance agreement, which are recorded at cost. Sales of IVD products to Abbott were $9.7 million in fiscal 2008, $9.9 million in fiscal 2007 and $8.8 million in fiscal 2006.

Geographic Areas

Information concerning principal geographical areas for the fiscal years ended June 30 follows:

restructuring and the manner by which our management now operates and assesses the business, Celera Diagnostics is no longer a separate segment within the Company.

On July 1, 2008, following the Celera group separation, Celera Corporation became an independent, publicly-traded company whose shares are listed on the NASDAQ stock market under the symbol ‘‘CRA.’’ The Applied Biosystems group became our only business and Applied Biosystems stock became our only class of outstanding

(Dollar amounts in millions)	**2008**	2007	2006
Net Revenues From External Customers			
United States	**$1,024.0**	$ 927.7	$ 888.7
Europe	**819.3**	744.2	648.1
Japan	**213.1**	208.0	204.3
Other Asia Pacific countries	**200.6**	163.5	135.4
Other markets	**104.5**	89.1	72.9
Consolidated	**$2,361.5**	$2,132.5	$1,949.4

Net revenues are attributable to geographic areas based on the region of destination.

Information concerning long-lived assets at June 30 follows:

(Dollar amounts in millions)	**2008**	2007	2006
Long-Lived Assets			
United States	**$321.4**	$342.3	$348.1
Europe	**29.6**	31.4	32.5
Japan	**12.1**	10.6	11.3
Other Asia Pacific countries	**6.1**	5.5	3.5
Other markets	**2.2**	1.0	1.0
Consolidated	**$371.4**	$390.8	$396.4

Long-lived assets exclude capitalized software, goodwill and other intangible assets.

Customer Information

We have a large and diverse customer base. No single customer accounted for more than 10% of total net revenues during fiscal 2008, 2007, or 2006.

Consolidating Information

Presented below is our consolidating financial information, including the allocation of expenses between our segments in accordance with our allocation policies, as well as other related party transactions, such as sales of products between segments. Our board of directors approves the method of allocating earnings to each class of common stock for purposes of calculating earnings per share. This determination is based on net income or loss amounts of the corresponding group calculated in accordance with GAAP, consistently applied.

The management and allocation policies applicable to the attribution of assets, liabilities, revenues and expenses to our segments may be modified or rescinded, or additional policies may be adopted, at the sole discretion of our board of directors at any time without stockholder approval. Our board of directors would make any decision in accordance with its good faith business judgment that its decision is in the best interests of the Company and all of its stockholders as a whole.

We primarily base the attribution of the assets, liabilities, revenues and expenses to both segments on specific identification of the businesses included in both segments. Where specific identification is not practical, we use other methods and criteria that we believe are equitable and provide a reasonable estimate of the assets, liabilities, revenues and expenses attributable to both segments.

Intersegment Revenues

We record the sales of products and services between the segments as intersegment revenues, which are eliminated in determining our consolidated net revenues. These sales are generally made on terms that would be available from third parties in commercial transactions. If similar transactions with third parties are not available for purposes of determining fair value, the purchasing business will pay fair value as determined by our board of directors for such products and

Access to Technology and Know-How

Prior to July 1, 2008, both segments had free access to all of our technology and know-how (excluding products and services of the other segment) that may be useful in that segment' s business, subject to obligations and limitations applicable to us and to such exceptions that our board of directors may determine. The segments consulted with each other on a regular basis concerning technology issues that affect both segments. The costs of developing technology remain in the segment responsible for its development. The agreements entered into in connection with the separation of Celera contain arrangements with respect to technology and know-how.

Allocation of Corporate Overhead and Administrative Shared Services

Our shared corporate services (such as executive management, human resources, legal, accounting, auditing, tax, treasury, strategic planning and environmental services) and related balance sheet amounts have been allocated to the segments based on identification of such services specifically benefiting both segments. A portion of our costs of administrative shared services (such as information technology services) has been allocated in a similar manner. Where determination based on specific usage alone is not practical, we use other methods and criteria that we believe are equitable and provide a reasonable estimate of the cost attributable to both segments. It is not practical to specifically identify a portion of corporate overhead expenses attributable to both of the segments. As a result, we allocate these corporate overhead expenses primarily based on headcount, total expenses, and revenues attributable to both segments. We believe that the allocation methods developed are reasonable and have been consistently applied.

Joint Transactions between Segments

The segments may from time to time engage in transactions jointly, including with third parties. Research and development and other services performed by one segment for a joint venture or other collaborative arrangement will be charged at fair value, as determined by our board of directors. The segments also may jointly undertake a project where the total costs and benefits of the project are shared. Shipments of

services or at the cost (including overhead) of the selling business. The selling business records revenues on these transactions when the product is shipped, as the service is performed, or over the term of the lease, as applicable.

products or performance of services related to such joint projects are not recorded as revenues by any of the businesses, but instead are included, at cost, in the total project costs that are shared based on each business' expected benefit.

Our businesses may perform services for one another, which are not directly attributable to either businesses' revenue generating activities. In these cases the business performing the services charges the benefiting business the cost of performing the services, including overhead.

Allocation of Federal and State Income Taxes

The federal income taxes of the Company and its subsidiaries that own assets allocated between the groups are determined on a consolidated basis using the asset and liability approach prescribed by SFAS No. 109, "Accounting for Income Taxes." If we had used the separate return basis of accounting for taxes, the tax provision for the Applied Biosystems group would not have changed, but a significant valuation allowance would have been recorded by the Celera group each year as reflected in our $90.6 million valuation allowance charge at fiscal year end 2008. We allocate the federal income tax provisions and related tax payments or refunds between the groups based on a consolidated return approach taking into account each group's relative contribution (positive or negative) to our consolidated federal taxable income, tax liability, and tax credit position. We tax intersegment transactions as if both segments were a stand-alone company. We transfer tax benefits that cannot be used by the group generating those benefits, but can be used on a consolidated basis, to the group that can use such benefits. We have, and we will continue, to reimburse existing tax benefits acquired by either group in a business combination that are used by the other group, to the group that acquired such benefits. Tax benefits generated by the Celera group commencing July 1, 1998, which could be used on a consolidated basis, were reimbursed by the Applied Biosystems group to the Celera group up to a limit of $75 million.

In accordance with the terms of the Celera Diagnostics joint venture agreement, which was restructured during fiscal 2006 (see Note 16 to our consolidated financial statements), the Applied Biosystems group reimbursed the Celera group for tax benefits generated by Celera Diagnostics to the extent such tax benefits were used by the Applied Biosystems group. These tax benefits were not subject to the $75 million limit described above. The amounts used by the Applied Biosystems group that were not reimbursed to the Celera

Financing Activities

As a matter of policy, we manage most financing activities of the Applied Biosystems group and the Celera group on a centralized basis. These activities include the investment of surplus cash, the issuance and repayment of short-term and long-term debt, common stock repurchases, and the issuance and repayment of any preferred stock.

Our board of directors has adopted the following financing policy that affects the financial results of the Applied Biosystems group and the Celera group.

We allocate our debt between the groups ("pooled debt") or, if we so determine, in its entirety to a particular group. We will allocate preferred stock, if issued, in a similar manner.

Cash allocated to one group that is used to repay pooled debt or redeem pooled preferred stock decreases such group's allocated portion of the pooled debt or preferred stock. Cash or other property allocated to one group that is transferred to the other group, if so determined by our board of directors, decreases the transferring group's allocated portion of the pooled debt or preferred stock and, correspondingly, increases the recipient group's allocated portion of the pooled debt or preferred stock.

Pooled debt bears interest for the groups at a rate equal to the weighted average interest rate of the debt calculated on a quarterly basis and applied to the average pooled debt balance during the period. Preferred stock, if issued and if pooled in a manner similar to the pooled debt, will bear dividends for the groups at a rate based on the weighted average dividend rate of the preferred stock similarly calculated and applied. Any expense related to increases in pooled debt or preferred stock will be reflected in the weighted average interest or dividend rate of such pooled debt or preferred stock as a whole. During fiscal 2008, 2007, and 2006, there was no pooled debt or preferred stock outstanding.

If we allocate debt for a particular financing in its entirety to one group, that debt will bear interest for that group at a rate determined by our board of directors. If we allocate preferred stock in its entirety to one group, we will charge the dividend cost to that group in a similar manner. If the interest or dividend cost is higher than our actual cost, the other group

group were recorded to allocated net worth of each group in the following Consolidating Statements of Financial Position.

We calculate, depending on the tax laws of the respective jurisdictions, state and local income taxes on either a separate, consolidated, or combined basis. We allocate state and local income tax provisions and related tax payments or refunds between the groups based on the respective contributions of the groups to our state or local tax liabilities.

will receive a credit for an amount equal to the difference as compensation for the use of our credit capacity. Any expense related to our debt or preferred stock that is allocated in its entirety to a group will be allocated in whole to that group.

Cash or other property that we allocate to one group that is transferred to the other group could, if so determined by our board of directors, be accounted for either as a

short-term loan or as a long-term loan. Short-term loans bear interest at a rate equal to the weighted average interest rate of our pooled debt. If we do not have any pooled debt, our board of directors will determine the rate of interest for such loan. Our board of directors establishes the terms on which long-term loans between the groups could be made, including interest rate, amortization schedule, maturity, and redemption terms.

In addition, cash allocated to the Applied Biosystems group may be reallocated to the Celera group in exchange for Celera Designated Shares as provided under our Certificate of Incorporation. The number of Celera Designated Shares issued would be determined by dividing the amount of cash reallocated by the average market value of Celera stock over the 20-trading day period immediately prior to the date of the reallocation. As a result of such a reallocation, a relative percentage of future earnings or losses of the Celera group would be attributed to the Applied Biosystems group. There were no Celera Designated Shares issued during fiscal 2008, 2007, or 2006.

Although we may allocate our debt and preferred stock between the groups, the debt and preferred stock remain obligations of the Company and all stockholders of the Company are subject to the risks associated with these obligations.

Transfers of Assets between Segments

Transfers of assets can be made between segments without stockholder approval. Such transfers will be made at fair value, as determined by our board of directors. The consideration for such transfers may be paid by one segment to the other in cash or other consideration, as determined by our board of directors.

Online Marketing and Distribution Agreement

In April 2002, the Celera group and the Applied Biosystems group entered into a marketing and distribution agreement under which the Applied Biosystems group became the exclusive distributor of the Celera group' s CDS database and related human genomic and other biological and medical information. As a result of this arrangement, the Applied Biosystems group integrated the CDS database and other genomic and biological information into its product offerings. In exchange for the rights it acquired under the marketing and distribution agreement, the Applied Biosystems group agreed to pay royalties to the Celera group based on revenues generated by sales of some of the Applied Biosystems group' s products. However, as part of the restructuring of Celera Diagnostics described above in Note 16 to our consolidated financial statements, as of January 1, 2006, the Applied Biosystems group continued to have access to the Celera group' s information during the 15 year term of the marketing and distribution agreement but has no further financial obligations to the Celera group under the agreement. As a result of the separation of Celera, the marketing and distribution agreement is no longer effective.

Transactions between Segments

The following table summarizes the related party transactions between our segments for the fiscal years ended June 30:

(Dollar amounts in millions)	**2008**	2007	2006
Applied Biosystems Group			
Sales to the Celera group (a)	**$2.6**	$4.3	$6.1
Nonreimbursable utilization of tax benefits (b)	**45.4**	2.9	64.3
Payments for reimbursable utilization of tax benefits (c)	**5.1**	2.0	8.0

Celera Group

Royalties from the Applied Biosystems group (d)	**$**–	$–	$1.9

(a) The Applied Biosystems group recorded net revenues from leased instruments and sales of consumables and project materials to the Celera group.

(b) The Applied Biosystems group received, without reimbursement to the Celera group, some of the tax benefits generated by the Celera group in accordance with the tax allocation policy described above.

(c) The Applied Biosystems group paid the Celera group for the use of existing tax benefits acquired by the Celera group in business combinations and other tax benefits, in accordance with the tax allocation policy described above.

(d) The Celera group recorded net revenues primarily for royalties generated from sales by the Applied Biosystems group of products integrating CDS and some other genomic and biological information under a marketing and distribution agreement. The Celera group forgave future royalties related to this agreement as discussed in Note 16 to our consolidating financial statements.

In the following consolidating financial information, the ‘‘Eliminations’’ column represents the elimination of intersegment activity.

Consolidating Statement of Operations for the Year Ended June 30, 2008

(Dollar amounts in thousands)	Applied Biosystems Group	Celera Group	Eliminations	Consolidated
Products	$1,823,131	$32,043	$–	$1,855,174
Services	277,995	70,993		348,988
Other	120,985	36,337		157,322
Net revenues from external customers	2,222,111	139,373	–	2,361,484
Intersegment revenues	2,565		(2,565)	
Total Net Revenues	2,224,676	139,373	(2,565)	2,361,484
Products	824,762	15,725	(345)	840,142
Services	123,291	24,054	(247)	147,098
Other	11,890			11,890
Total Cost of Sales	959,943	39,779	(592)	999,130
Gross Margin	1,264,733	99,594	(1,973)	1,362,354
Selling, general and administrative	588,896	66,423	58,708	714,027
Corporate allocated expenses	50,457	8,251	(58,708)	
Research and development	196,070	40,867	(1,707)	235,230

Amortization of purchased intangible assets	10,446	7,115		17,561
Employee-related charges, asset impairments and other	20,325	6,956		27,281
Asset dispositions and legal settlements	(7,556)	(1,100)		(8,656)
Operating Income (Loss)	406,095	(28,918)	(266)	376,911
Gain (loss) on investments, net	27,617	(3,080)		24,537
Interest income, net	8,589	17,743		26,332
Other income (expense), net	3,337	18		3,355
Income (Loss) before Income Taxes	445,638	(14,237)	(266)	431,135
Provision for income taxes	129,057	88,363	(93)	217,327
Net Income (Loss)	$316,581	$(102,600)	$(173)	$213,808

Consolidating Statement of Financial Position at June 30, 2008

(Dollar amounts in thousands)	Applied Biosystems Group	Celera Group	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$543,205	$45,825	$–	$589,030
Short-term investments		287,726		287,726
Accounts receivable, net	475,545	40,167		515,712
Inventories, net	161,794	9,316	(845)	170,265
Prepaid expenses and other current assets	128,320	26,321	(83)	154,558
Total current assets	1,308,864	409,355	(928)	1,717,291
Property, plant and equipment, net	360,455	10,977	(45)	371,387
Goodwill and intangible assets, net	285,092	236,898		521,990
Other long-term assets	444,144	6,082	497	450,723
Total Assets	$2,398,555	$663,312	$(476)	$3,061,391
Liabilities and Stockholders' Equity				
Current liabilities				

Loans payable	$100,000	$123	$–	$100,123
Accounts payable	166,063	6,053		172,116
Accrued salaries and wages	113,418	10,923		124,341
Current deferred tax liability	13,734			13,734
Accrued taxes on income	17,158	367		17,525
Other accrued expenses	312,773	12,623	(127)	325,269
Total current liabilities	723,146	30,089	(127)	753,108
Other long-term liabilities	240,033	3,776		243,809
Total Liabilities	963,179	33,865	(127)	996,917
Total Stockholders' Equity	1,435,376	629,447	(349)	2,064,474
Total Liabilities and Stockholders' Equity	$2,398,555	$663,312	$(476)	$3,061,391

Consolidating Statement of Cash Flows for the Year Ended June 30, 2008

(Dollar amounts in thousands)	Applied Biosystems Group	Celera Group	Eliminations	Consolidated
Operating Activities of Continuing Operations				
Income (loss) from continuing operations	$316,581	$(102,600)	$(173)	$213,808
Adjustments to reconcile income (loss) from continuing operations to net cash provided (used) by operating activities:				
Depreciation and amortization	76,235	13,706	(213)	89,728
Asset impairments	831	3,080		3,911
Employee-related charges and other	17,095	2,261		19,356
Share-based compensation programs	25,537	6,887		32,424
Deferred income taxes	52,003	130,779	(1,497)	181,285
Sale of assets and legal settlements, net	(27,562)	(91)	91	(27,562)
Nonreimbursable utilization of intergroup tax benefits	45,435	(45,435)		
Changes in operating assets and liabilities:				
Accounts receivable	10,329	(12,683)	(218)	(2,572)
Inventories	(23,657)	1,011	274	(22,372)

Prepaid expenses and other assets	1,876	4,123	(10,615)	(4,616)
Accounts payable and other liabilities	13,732	(6,525)	12,354	19,561
Net Cash Provided (Used) by Operating Activities of Continuing Operations	508,435	(5,487)	3	502,951
Net Cash Provided by Operating Activities of Discontinued Operations	12,900			12,900
Investing Activities of Continuing Operations				
Additions to property, plant and equipment, net	(49,200)	(4,138)	88	(53,250)
Proceeds from maturities of available-for-sale investments		143,094		143,094
Proceeds from sales of available-for-sale investments	213,850	327,554		541,404
Purchases of available-for-sale investments	(12,553)	(228,568)		(241,121)
Acquisitions and investments, net of cash acquired	(361)	(214,437)		(214,798)
Investment in Alliance Activity		(2)		(2)
Proceeds from the sale of assets, net	46,384	485	(91)	46,778
Net Cash Provided by Investing Activities of Continuing Operations	198,120	23,988	(3)	222,105
Financing Activities				
Proceeds from loan payable	100,000			100,000
Payments on loans payable and debt		(10,622)		(10,622)

Dividends	(29,851)			(29,851)
Purchases of common stock for treasury	(601,505)			(601,505)
Proceeds from stock issued for stock plans and other	82,309	7,910		90,219
Net Cash Used by Financing Activities	(449,047)	(2,712)		(451,759)
Effect of Exchange Rate Changes on Cash	(20,370)			(20,370)
Net Change in Cash and Cash Equivalents	250,038	15,789		265,827
Cash and Cash Equivalents Beginning of Year	293,167	30,036		323,203
Cash and Cash Equivalents End of Year	$543,205	$45,825	$–	$589,030

Consolidating Statement of Operations for the Year Ended June 30, 2007

(Dollar amounts in thousands)	Applied Biosystems Group	Celera Group	Eliminations	Consolidated
Products	$1,727,830	$25,322	$–	$1,753,152
Services	244,031	10		244,041
Other	117,261	18,039		135,300
Net revenues from external customers	2,089,122	43,371	–	2,132,493
Intersegment revenues	4,345		(4,345)	
Total Net Revenues	2,093,467	43,371	(4,345)	2,132,493
Products	816,595	17,560	(1,914)	832,241
Services	107,735		(328)	107,407
Other	11,824			11,824
Total Cost of Sales	936,154	17,560	(2,242)	951,472
Gross Margin	1,157,313	25,811	(2,103)	1,181,021
Selling, general and administrative	540,388	22,672	59,632	622,692
Corporate allocated expenses	52,668	6,990	(59,658)	
Research and development	203,841	51,683	(1,553)	253,971

Amortization of purchased intangible assets	11,264			11,264
Employee-related charges, asset impairments and other		10,342		10,342
Asset dispositions and legal settlements	(2,228)	(2,357)		(4,585)
Acquired research and development	114,251			114,251
Operating Income (Loss)	237,129	(63,519)	(524)	173,086
Gain on investments, net	209			209
Interest income, net	15,346	27,826		43,172
Other income (expense), net	6,299	456		6,755
Income (Loss) before Income Taxes	258,983	(35,237)	(524)	223,222
Provision (benefit) for income taxes	88,108	(15,474)	(183)	72,451
Income (Loss) from Continuing Operations	170,875	(19,763)	(341)	150,771
Income from discontinued operations, net of income taxes	8,529			8,529
Net Income (Loss)	$179,404	$(19,763)	$(341)	$159,300

Consolidating Statement of Financial Position at June 30, 2007

(Dollar amounts in thousands)	Applied Biosystems Group	Celera Group	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 293,167	$ 30,036	$ –	$ 323,203
Short-term investments	201,297	531,460		732,757
Accounts receivable, net	446,833	6,258	(218)	452,873
Inventories, net	132,094	8,826	(571)	140,349
Prepaid expenses and other current assets	161,040	20,400	(1,995)	179,445
Total current assets	1,234,431	596,980	(2,784)	1,828,627
Property, plant and equipment, net	383,594	7,386	(170)	390,810
Goodwill and intangible assets, net	295,299	2,663		297,962
Other long-term assets	473,280	161,654	207	635,141
Total Assets	$2,386,604	$768,683	$(2,747)	$3,152,540
Liabilities and Stockholders' Equity				
Current liabilities				

Accounts payable	$ 161,440	$ 3,016	$(1,791)	$ 162,665
Accrued salaries and wages	99,694	8,858		108,552
Current deferred tax liability	15,633			15,633
Accrued taxes on income	51,212	15,489		66,701
Other accrued expenses	259,743	10,463	(583)	269,623
Total current liabilities	587,722	37,826	(2,374)	623,174
Other long-term liabilities	208,550	4,959	(197)	213,312
Total Liabilities	796,272	42,785	(2,571)	836,486
Total Stockholders' Equity	1,590,332	725,898	(176)	2,316,054
Total Liabilities and Stockholders' Equity	$2,386,604	$768,683	$(2,747)	$3,152,540

Consolidating Statement of Cash Flows for the Year Ended June 30, 2007

(Dollar amounts in thousands)	Applied Biosystems Group	Celera Group	Eliminations	Consolidated
Operating Activities of Continuing Operations				
Income (loss) from continuing operations	$170,875	$(19,763)	$ (341)	$150,771
Adjustments to reconcile income (loss) from continuing operations to net cash provided (used) by operating activities:				
Depreciation and amortization	79,557	6,847	(313)	86,091
Asset impairments		6,795		6,795
Employee-related charges and other		3,547		3,547
Share-based compensation programs	16,608	3,303		19,911
Deferred income taxes	20,040	(13,248)	(2,523)	4,269
Sale of assets and legal settlements, net	(2,909)			(2,909)
Acquired research and development	114,251			114,251
Nonreimbursable utilization of intergroup tax benefits	2,944	(2,944)		
Changes in operating assets and liabilities:				
Accounts receivable	(61,188)	3,368	(512)	(58,332)
Inventories	1,487	(592)	571	1,466

Prepaid expenses and other assets	(2,952)	(2,652)	(3,433)	(9,037)
Accounts payable and other liabilities	27,428	(7,676)	6,409	26,161
Net Cash Provided (Used) by Operating Activities of Continuing Operations	366,141	(23,015)	(142)	342,984
Investing Activities of Continuing Operations				
Additions to property, plant and equipment, net	(60,262)	(2,440)	142	(62,560)
Proceeds from maturities of available-for-sale investments		274,928		274,928
Proceeds from sales of available-for-sale investments	93,541	328,732		422,273
Purchases of available-for-sale investments	(294,838)	(623,345)		(918,183)
Acquisitions and investments, net of cash acquired	(121,791)			(121,791)
Investment in alliance activity		(1,853)		(1,853)
Proceeds from the sale of assets, net	372			372
Net Cash Used by Investing Activities of Continuing Operations	(382,978)	(23,978)	142	(406,814)
Financing Activities				
Dividends	(31,079)			(31,079)
Purchases of common stock for treasury	(168,640)			(168,640)
Proceeds from stock issued for stock plans and other	119,616	16,759		136,375
Net Cash Provided (Used) by Financing Activities	(80,103)	16,759		(63,344)

Effect of Exchange Rate Changes on Cash	16,186			16,186
Net Change in Cash and Cash Equivalents	(80,754)	(30,234)		(110,988)
Cash and Cash Equivalents Beginning of Year	373,921	60,270		434,191
Cash and Cash Equivalents End of Year	$293,167	$30,036	$ –	$323,203

Consolidating Statement of Operations for the Year Ended June 30, 2006

(Dollar amounts in thousands)	Applied Biosystems Group	Celera Group	Eliminations	Consolidated
Products	$1,566,061	$29,169	$–	$1,595,230
Services	217,237	397		217,634
Other	121,849	14,677		136,526
Net revenues from external customers	1,905,147	44,243	–	1,949,390
Intersegment revenues	6,079	1,964	(8,043)	
Total Net Revenues	1,911,226	46,207	(8,043)	1,949,390
Products	761,523	19,683	(4,442)	776,764
Services	93,916		(456)	93,460
Other	11,014			11,014
Total Cost of Sales	866,453	19,683	(4,898)	881,238
Gross Margin	1,044,773	26,524	(3,145)	1,068,152
Selling, general and administrative	503,813	28,184	52,486	584,483
Corporate allocated expenses	44,572	7,931	(52,503)	
Research and development	180,295	94,327	(3,263)	271,359

Amortization of purchased intangible assets	4,825	1,091		5,916
Employee-related charges, asset impairments and other	356	26,191		26,547
Asset dispositions and legal settlements	10,546	675		11,221
Acquired research and development	3,400			3,400
Operating Income (Loss)	296,966	(131,875)	135	165,226
Gain on investments, net		7,628		7,628
Interest income, net	14,694	22,364		37,058
Other income (expense), net	5,567	(225)		5,342
Income (Loss) before Income Taxes	317,227	(102,108)	135	215,254
Provision (benefit) for income taxes	42,110	(39,398)	50	2,762
Net Income (Loss)	$275,117	$(62,710)	$85	$212,492

Consolidating Statement of Cash Flows for the Year Ended June 30, 2006

(Dollar amounts in thousands)	Applied Biosystems Group	Celera Group	Eliminations	Consolidated
Operating Activities of Continuing Operations				
Net income (loss)	$275,117	$(62,710)	$ 85	$212,492
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	77,164	14,252	(428)	90,988
Asset impairments	215	9,855		10,070
Employee-related charges and other	(1,409)	9,083		7,674
Share-based compensation programs	11,334	1,495		12,829
Deferred income taxes	(72,359)	30,649	(1,079)	(42,789)
Sale of assets and legal settlements, net	41,880	(6,944)		34,936
Acquired research and development	3,400			3,400
Nonreimbursable utilization of intergroup tax benefits	64,254	(64,254)		
Changes in operating assets and liabilities:				
Accounts receivable	17,516	(2,865)	(252)	14,399
Inventories	3,259	1,139		4,398

Prepaid expenses and other assets	11,027	(3,465)	2,076	9,638
Accounts payable and other liabilities	(56,117)	(22,510)	(594)	(79,221)
Net Cash Provided (Used) by Operating Activities of Continuing Operations	375,281	(96,275)	(192)	278,814
Net Cash Used by Operating Activities of Discontinued Operations	(135)			(135)
Investing Activities of Continuing Operations				
Additions to property, plant and equipment, net	(41,548)	(4,844)	315	(46,077)
Proceeds from maturities of available-for-sale investments		317,008		317,008
Proceeds from sales of available-for-sale investments	104,877	208,605		313,482
Purchases of available-for-sale investments	(104,877)	(390,871)		(495,748)
Acquisitions and investments, net of cash acquired	(279,133)			(279,133)
Investment in alliance activity		(3,925)		(3,925)
Proceeds from the sale of assets, net	25,593	9,515	(123)	34,985
Net Cash Provided (Used) by Investing Activities of Continuing Operations	(295,088)	135,488	192	(159,408)
Financing Activities				
Payments on loans payable and debt	(72)			(72)
Dividends	(23,957)			(23,957)
Net cash funding from groups	25,644	(25,644)		

Purchases of common stock for treasury	(601,910)			(601,910)
Proceeds from stock issued for stock plans and other	140,906	23,536		164,442
Net Cash Used by Financing Activities	(459,389)	(2,108)		(461,497)
Effect of Exchange Rate Changes on Cash	(2,984)			(2,984)
Net Change in Cash and Cash Equivalents	(382,315)	37,105		(345,210)
Cash and Cash Equivalents Beginning of Year	756,236	23,165		779,401
Cash and Cash Equivalents End of Year	$ 373,921	$ 60,270	$ –	$434,191

Reports of Management

To the Stockholders of Applied Biosystems Inc.

Management Responsibility for Financial Statements

We are responsible for the accompanying consolidated financial statements. We prepared the financial statements in conformity with accounting principles generally accepted in the United States of America, which requires us to make informed judgments and estimates that we believe are appropriate under the circumstances. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In meeting our responsibility for preparing reliable financial statements, we maintain a system of internal controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with corporate policy and management authorization. We believe our internal controls provide reasonable assurance that errors or irregularities which could be material to the financial statements are prevented or would be detected within a timely period. In designing such controls, we recognize judgments are required to assess and balance the costs and expected benefits of a system of internal controls. Adherence to these controls is reviewed through a coordinated audit effort of our internal audit staff and independent registered public accounting firm.

The Audit/Finance Committee of our board of directors is comprised solely of outside directors and is responsible for overseeing and monitoring the quality of our accounting and auditing practices. The independent registered public accounting firm and internal auditors have full and free access to the Audit/Finance Committee and meet periodically with the committee to discuss accounting, auditing, and financial reporting matters.

Management Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining internal control over financial reporting, as defined by the Securities and Exchange Commission in its Rules 13a-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our assessment did not include evaluating the effectiveness of internal control over financial reporting at Berkeley HeartLab, Inc. which was acquired in October 2007, and, as such, we do not extend our conclusion regarding the effectiveness of internal control over financial reporting to the controls of Berkeley HeartLab, Inc. Berkeley HeartLab, Inc. represents approximately 7% and 3% of consolidated total assets and consolidated total net revenues, as of and for the year ended June 30, 2008, respectively. See Note 3 to the consolidated financial statements for additional information on the Berkeley HeartLab, Inc. acquisition. Based on this evaluation, we conclude that, as of June 30, 2008, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of June 30, 2008 has been attested to by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Dennis L. Winger
Senior Vice President and
Chief Financial Officer

Tony L. White
Chairman, President, and
Chief Executive Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Applied Biosystems Inc. (formerly known as Applera Corporation):

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Applied Biosystems Inc. and its subsidiaries at June 30, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

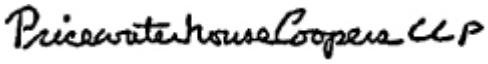
As discussed in Note 5, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" on July 1, 2007. Also, as discussed in Note 6, the Company adopted the provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" as of June 30, 2007.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in the Management Report on Internal Control Over Financial Reporting, management has excluded Berkeley HeartLab, Inc. from its assessment of internal control over financial reporting as of June 30, 2008 because it was acquired by the Company in a purchase business combination during fiscal 2008. We have also excluded Berkeley HeartLab, Inc. from our audit of internal control over financial reporting. Berkeley HeartLab, Inc. is a wholly-owned subsidiary of Applied Biosystems Inc. whose

total assets and total revenues represent 7% and 3%, respectively, of the related consolidated financial statement amounts as of and for the year ended June 30, 2008.



PricewaterhouseCoopers LLP
Stamford, CT
August 27, 2008

Exhibit 21

SUBSIDIARIES OF APPLIED BIOSYSTEMS INC.

Name	State or Jurisdiction of Incorporation or Organization
Applera Charitable Foundation	Delaware, USA
Applied Biosystems Overseas Corporation	New York, USA
Applied Biosystems Pty Ltd.	Australia
Applied Biosystems (Canada) Limited	Canada
Applied Biosystems/MDS Analytical Technologies Instruments (1)	Canada
Applied Biosystems (Thailand) Limited	Thailand
PE AG (9)	Switzerland
Applera France S.A.	France
PE (Sweden) AB (9)	Sweden
PE Stockholm AB (9)	Sweden
Applied Biosystems Finland OY (9)	Finland
Applied Biosystems B.V.	The Netherlands
Applied Biosystems Finance BV	The Netherlands
Applied Biosystems Europe BV	The Netherlands

Applied Biosystems Holdings Limited (9)	UK
Applied Biosystems Ltd	UK
PE (GB) Ltd. (9)	UK
Applera Polska Sp.zo.o.	Poland
Applera Magyarorszag Kft (2)	Hungary
Applera Ceska Republica s.r.o.	Czech Republic
Applied Biosystems Asia Pte. Ltd.	Singapore
Applied Biosystems Malaysia Sdn. Bhd.	Malaysia
Applera Deutschland GmbH	Germany
Applera South Africa (Pty.) Limited	South Africa
PE Manufacturing GmbH (3) (9)	Germany
BSW Wohnstatten GmbH (9)	Germany
Applied Biosystems Manufacturing GmbH (9)	Germany
Applera Austria Handels GmbH	Austria
Applied Biosystems Hong Kong, Limited	Hong Kong
Applied Biosystems do Brasil Ltda. (4)	Brazil
ZAO PE Biosystems (5) (9)	Russia

Applied Biosystems Korea LLC (6)	Korea
Applied Biosystems Taiwan Corporation	Delaware, USA
Applied Biosystems de Mexico S. de R.L. de C.V. (7)	Mexico
Applied Biosystems Trading (Shanghai) Company Ltd.	China
Applied Biosystems Insurance Company Limited	Bermuda
Applera Hispania SA	Spain
Applied Biosystems International, Inc.	Delaware, USA
PE Korea Corporation	Delaware, USA
Applied Biosystems China, Inc.	Delaware, USA
PerSeptive Biosystems, Inc.	Delaware, USA
Applied Biosystems Japan, Ltd.	Japan
PerSeptive Biosystems (Canada) Ltd.	Canada
PNA Diagnostics ApS	Denmark
Boston Probes, Inc. (8)	Delaware, USA

Ambion, Inc.	Delaware, USA
Ambion Europe, Limited	UK
AB Advanced Genetic Analysis Corporation	Delaware, USA

Note: Entities directly owned by subsidiaries of Applied Biosystems Inc. are indented and listed below their immediate parent. Ownership is 100% unless otherwise indicated.

(1) 50.0% ownership.

(2) 90.0% owned by Applied Biosystems B.V. and 10.0% by Applied Biosystems Finance BV (indirectly, in the aggregate, wholly owned by Applied Biosystems Inc.).

(3) 98.8% owned by Applera Deutschland GmbH, 0.5% by Applied Biosystems Overseas Corporation, and 0.7% by Applied Biosystems Europe B.V. (indirectly, in the aggregate, wholly owned by Applied Biosystems Inc.).

(4) .01% owned by Charles J. Heinzer, an Applied Biosystems Inc. employee, and 99.99% by Applied Biosystems Overseas Corporation (directly and indirectly, in the aggregate, wholly owned by Applied Biosystems Inc.).

(5) 0.1% owned by Applied Biosystems Inc. and 99.9% by Applied Biosystems Overseas Corporation (directly and indirectly, in the aggregate, wholly owned by Applied Biosystems Inc.).

(6) 20.0% owned by Applied Biosystems Inc. and 80.0% by Applied Biosystems Overseas Corporation (directly and indirectly, in the aggregate, wholly owned by Applied Biosystems Inc.).

(7) .01% owned by Applied Biosystems Inc. and 99.99% by Applied Biosystems Overseas Corporation (directly and indirectly, in the aggregate, wholly owned by Applied Biosystems Inc.).

(8) 84.9% owned by Applied Biosystems Inc., and 15.1% by PNA Diagnostics ApS (directly and indirectly, in the aggregate, wholly owned by Applied Biosystems Inc.).

(9) This entity is considered dormant and/or has no material operations/assets.

Applied Biosystems Inc. and its direct and indirect subsidiaries conduct business under the Applied Biosystems name and variants thereof, and similarly subsidiaries may conduct business under their entity name or variants thereof. The Applied Biosystems/MDS Analytical Technologies Instruments partnership conducts business under its partnership name and variants thereof.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-50849, 333-68147, 333-82679, 333-91771, 333-91951, 333-51644, 333-74252, 333-101542, 333-101846, 333-102063, 333-120084, and 333-120085) of Applied Biosystems Inc. of our report dated August 27, 2008 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Stockholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated August 27, 2008 relating to the financial statement schedule, which appears in this Form 10-K. We also consent to the reference to us under the heading "Selected Consolidating Financial Data" in the Annual Report to Stockholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
August 27, 2008

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Tony L. White, certify that:

1. I have reviewed this annual report on Form 10-K of Applied Biosystems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: August 27, 2008

/s/ Tony L. White

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Dennis L. Winger, certify that:

1. I have reviewed this annual report on Form 10-K of Applied Biosystems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: August 27, 2008

/s/ Dennis L. Winger

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Applied Biosystems Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tony L. White, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tony L. White

Chief Executive Officer

Date: August 27, 2008

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Applied Biosystems Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis L. Winger, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dennis L. Winger

Chief Financial Officer

Date: August 27, 2008