

APPLERA CORP  
Form S-4/A  
October 15, 2001

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As filed with the Securities and Exchange Commission on October 15, 2001.

Registration No. 333-64788

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**AMENDMENT NO. 4  
TO  
FORM S-4**

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

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**APPLERA CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**3826**  
(Primary Standard Industrial  
Classification Code Number)  
**301 Merritt 7**  
**Norwalk, Connecticut 06851-1070**  
**(203) 840-2000**

**06-1534213**  
(I.R.S. Employer  
Identification Number)

(Address, Including Zip Code, and Telephone Number, Including  
Area Code, of Registrant's Principal Executive Offices)

**William B. Sawch, Esq.**  
**Senior Vice President and General Counsel**  
**Applera Corporation**  
**301 Merritt 7**  
**Norwalk, Connecticut 06851-1070**  
**(203) 840-2000**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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**Copies to:**

**Richard Capelouto, Esq.**  
Simpson Thacher & Bartlett  
3330 Hillview Avenue  
Palo Alto, California 94304  
(650) 251-5000

**Ora T. Fisher, Esq.**  
Latham & Watkins  
135 Commonwealth Drive  
Menlo Park, California 94025  
(650) 328-4600

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective time of the merger of a wholly owned subsidiary of the registrant with Axys Pharmaceuticals, Inc., which shall occur as soon as practicable after the effective date of this registration statement and the satisfaction of all conditions to the closing of the merger.

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If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. //

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

### CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(3)
Applera Corporation Celera Genomics Group Common Stock, par value \$0.01 per share (including the rights associated with those shares pursuant to Applera Corporation's Stockholder Protection Rights Agreement)(4)	6,563,414 shares	Not applicable	\$200,050,921(2)	\$50,013

- (1) Represents the maximum number of shares of Applera Corporation Celera Genomics Group Common Stock, par value \$0.01 per share ("Applera Celera stock"), including the rights associated with those shares pursuant to Applera Corporation's Stockholder Protection Rights Agreement, issuable upon consummation of the merger based upon a maximum exchange ratio of 0.1355 shares of Applera Celera stock to be exchanged for each share of common stock, par value \$.001 per share, of Axy's Pharmaceuticals, Inc., that would be outstanding if all Axy's Pharmaceuticals, Inc. stock options and warrants that may be exercisable prior to the merger were exercised, and all Axy's Pharmaceuticals, Inc. 8% Senior Secured Convertible Notes due 2004 outstanding on June 12, 2001 were converted.
- (2) Pursuant to Rule 457(f)(1) of the Securities Act, this amount represents the maximum aggregate offering price which would be computed by using the average of the high and low prices of Axy's common stock reported by the Nasdaq National Market on July 5, 2001. This amount is estimated solely for the purpose of calculating the registration fee.
- (3) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended, and computed pursuant to Rule 457(f) and (c) under the Securities Act based on (i) \$4.13, the average of the high and low sales prices for shares of Axy's common stock on the Nasdaq National Market on July 5, 2001, (ii) the number of shares of Axy's common stock outstanding as of the close of business on July 5, 2001, (iii) the number of shares of Axy's common stock issuable upon conversion of all outstanding Axy's Pharmaceuticals, Inc. 8% Senior Secured Convertible Notes due 2004, and (iv) the estimated maximum number of options to acquire shares of Axy's common stock exercisable prior to the merger. The Registration Fee was previously paid with an accompanying overpayment on or about July 9, 2001.
- (4) Includes associated rights to purchase 1/1000th of a share of Applera Corporation's Series B participating junior preferred stock. Until the occurrence of prescribed events, the rights are not exercisable, are evidenced by the certificates representing Applera Celera stock and will be transferred only with shares of Applera Celera stock.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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October 15, 2001

Dear Stockholder:

You are cordially invited to attend our special meeting of stockholders on November 16, 2001, at 10:00 a.m., Pacific Time, at Axys' headquarters located at 180 Kimball Way, South San Francisco, California 94080.

At the special meeting, we will ask you to vote on the merger of Axys and Applera Corporation. In the merger, you will receive shares of Applera Corporation Celera Genomics Group Common Stock (NYSE: CRA). The exact number of shares of Applera Celera stock that you will receive will be determined by an exchange ratio that will be calculated based on the average closing price of Applera Celera stock over the 10 trading days immediately preceding (but excluding) the second trading day prior to the closing of the merger as described in the accompanying proxy statement/prospectus. For each of your shares of Axys common stock, you will receive no less than 0.0813 share of Applera Celera stock and no more than 0.1355 share of Applera Celera stock. The merger has been structured to be tax-free to you for United States federal income tax purposes, except for cash received in place of fractional shares.

If the merger had closed on October 1, 2001, for each of your shares of Axys common stock you would have received 0.1355 share of Applera Celera stock having a market value of \$3.25 based on the closing price of \$24.00 per share of Applera Celera stock on October 1, 2001. At the time of the special meeting, you will not necessarily know the exact number of shares or the exact market price of the Applera Celera stock that will be issued in connection with the merger. The maximum number of shares of Applera Celera stock that could be issued in exchange for shares of Axys common stock under the merger agreement is a total of 6,563,414 shares of Applera Celera stock, based upon the maximum exchange ratio of 0.1355 and the number of shares of Axys common stock outstanding on the date the merger agreement was signed and the number of shares of Axys common stock issuable upon exercise of stock options, warrants and convertible notes that may be exercisable prior to the merger. We urge you to obtain current market quotations for Applera Celera stock and Axys common stock prior to making any decision with respect to the merger.

Applera conducts its business through two operating groups: the Celera Genomics group and the Applied Biosystems group. The Applied Biosystems group and the Celera Genomics group are not separate legal entities, and holders of these stocks are stockholders of a single company, Applera. Applera Celera stock is a "tracking stock" which is issued by Applera and is intended to reflect the relative performance of the Celera Genomics group. Holders of Applera Celera stock will be stockholders of Applera only and will not have an ownership interest in the Celera Genomics group. As a result, holders of Applera Celera stock will be subject to the risks associated with an investment in Applera and all of its businesses, assets and liabilities. Applera Celera stock is redeemable and convertible at Applera's option as described in this proxy statement/prospectus.

We cannot complete the merger unless holders of a majority of the outstanding shares of Axys common stock vote for the approval and adoption of the merger agreement. Only stockholders who hold shares of Axys common stock at the close of business on October 1, 2001 will be entitled to vote at the special meeting.

The enclosed proxy statement/prospectus gives you detailed information about the proposed merger and includes the merger agreement as an annex. We encourage you to read carefully the proxy statement/prospectus, including its annexes. **You should also consider the matters discussed under "Risk Factors" on page 20 of the accompanying proxy statement/prospectus before voting.**

After careful consideration, the Axys board of directors has unanimously approved the merger agreement, has unanimously determined that the merger agreement and merger are advisable and fair to you and in your best interests and unanimously recommends that you vote **"FOR"** the approval and adoption of the merger agreement and the approval of the merger.

Your vote is very important. Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy card and return it in the enclosed prepaid envelope. If you attend the special meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. Your prompt cooperation will be greatly appreciated.

Sincerely,

Paul J. Hastings  
President and Chief

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger described in the accompanying proxy statement/prospectus or the Applera Celera stock to be issued in connection with the merger, or determined if the accompanying proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

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**This proxy statement/prospectus is dated October 15, 2001, and is first being mailed to the stockholders of Axys Pharmaceuticals, Inc. on or about October 16, 2001.**

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**AXYS PHARMACEUTICALS, INC.**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON NOVEMBER 16, 2001**

A special meeting of stockholders of Axys Pharmaceuticals, Inc. will be held at Axys' headquarters located at 180 Kimball Way, South San Francisco, California 94080 on November 16, 2001 at 10:00 a.m. Pacific Time, to consider and vote on the following matters described in the accompanying proxy statement/prospectus:

1. A proposal to approve and adopt an Agreement and Plan of Merger, dated as of June 12, 2001, among Axys, Applera Corporation and Angel Acquisition Sub, Inc., a subsidiary of Applera Corporation, and to approve the merger contemplated by that agreement; and
2. Such other and further business as may properly come before the special meeting or before any adjournment or postponement of the special meeting.

The board of directors of Axys has fixed the close of business on October 1, 2001 as the record date for the determination of stockholders entitled to receive notice of and to vote at the special meeting. A list of the stockholders entitled to vote will be open to the examination of stockholders at the offices of Axys at 180 Kimball Way, South San Francisco, California 94080, during ordinary business hours for 10 days prior to the date of the meeting.

Axys cannot complete the merger unless the holders of a majority of the outstanding shares of Axys common stock vote to adopt the merger agreement. Holders of Axys common stock will not have appraisal rights under Delaware law in connection with the merger.

The board of directors of Axys has unanimously approved the merger agreement and the merger and recommends that you vote FOR approval and adoption of the merger agreement and approval of the merger. The proposal is described in more detail in the accompanying proxy statement/prospectus, which you should read in its entirety before voting. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement/prospectus.

By Order of the Board of  
Directors,

Paul Hastings  
President and Chief Executive  
Officer

South San Francisco, California  
October 15, 2001

**Your Vote Is Important!**

To be sure your shares are represented at the meeting, please complete, date, sign and return your proxy card in the enclosed postage-paid envelope as soon as possible. You may vote in person at the meeting even if you send in your proxy card.

**REFERENCE TO ADDITIONAL INFORMATION**

This proxy statement/prospectus "incorporates by reference" important business and financial information about Applera that is not included or delivered with this proxy statement/prospectus. You may obtain documents incorporated by reference in this proxy statement/prospectus without charge by requesting them in writing or by telephone from Applera at the following address:

Applera Corporation  
 301 Merritt 7  
 Norwalk, Connecticut 06851-1070  
 (203) 840-2000  
 Attn.: Secretary

**If you would like to request any documents, please do so by November 9, 2001 in order to receive them before the special meeting.**

For a more detailed description of the information incorporated by reference by Applera into this proxy statement/prospectus and how you may obtain it, see "Where You Can Find More Information" on page 144.

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### QUESTIONS AND ANSWERS ABOUT THE MERGER

- Q:** What am I being asked to vote upon?
- A:** You are being asked to vote to approve and adopt the merger agreement entered into between Axys and Applera and to approve the merger contemplated by the merger agreement. In the merger, a wholly owned subsidiary of Applera will be merged with and into Axys. After the merger is completed, Axys, which will be the company surviving the merger, will be a wholly owned subsidiary of Applera. After the merger, the operations of Axys will be integrated into the research and development and business operations of the Celera Genomics group of Applera, which is one of the two operating groups through which Applera conducts its business.
- Q:** What will I receive in the merger for my shares of Axys common stock?
- A:** If the merger is completed, you will receive shares of Applera Corporation Celera Genomics Group Common Stock (NYSE: CRA) (which we refer to in this proxy statement/prospectus as Applera Celera stock) in exchange for your shares of Axys common stock. Applera Celera stock is a "tracking stock" issued by Applera that is designed to reflect the performance of the business conducted by the Celera Genomics group.

The exact number of shares of Applera Celera stock that you will receive will be determined by an exchange ratio that will fluctuate with the market price of Applera Celera stock and be subject to a version of a mechanism commonly referred to as a "collar" that reduces your exposure to losses and gains from market price fluctuation within specified market price ranges. The exchange ratio is calculated based on the average closing price of Applera Celera stock over the 10 trading days immediately preceding (but excluding) the second trading day prior to the closing of the merger. The actual number of shares of Applera Celera stock that you will receive in

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exchange for your shares of Axys common stock will be calculated at the time of the closing of the merger. A more complete description of this exchange ratio is included later in this proxy statement/prospectus beginning on page 56. We encourage you to read that section carefully.

If the closing of the merger were to have occurred on October 1, 2001, for each of your shares of Axys common stock you would have received 0.1355 shares of Applera Celera stock having a market value of \$3.25 based on the closing price of \$24.00 per share of Applera Celera stock on October 1, 2001, and the total consideration paid to all holders of outstanding Axys common stock would have been Applera Celera stock with an approximate total price of \$147 million, based on the average closing price of Applera Celera stock during the calculation period. You will receive cash instead of fractional shares, as described in this proxy statement/prospectus under "The Merger Fractional Shares."

**Q:** What is a "tracking stock"?

**A:** Applera Celera stock is a "tracking stock" which is issued by Applera and is intended to reflect the relative performance of the Celera Genomics group. It is listed on the New York Stock Exchange under the ticker symbol "CRA." If the merger is completed, the business of Axys will be conducted as part of the Celera Genomics group.

A "tracking stock" is a class of stock of a corporation designed to "track" the performance of a specific business within the larger corporation. Although holders of a "tracking stock" are equity holders of the larger corporation, "tracking stock" is intended to reflect or "track" the performance of a group of assets or division within the larger corporation. Investors commonly refer to this type of common stock as "tracking stock," "targeted stock" or "letter stock." Holders of Applera Celera stock do not have the same rights as typical common stockholders of a corporation without "tracking stock."

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Applera conducts its business through two operating groups: the Celera Genomics group and the Applied Biosystems group. Applera Corporation Applied Biosystems Group Common Stock (NYSE: ABI) (which we refer to in this proxy statement/prospectus as Applera Applied Biosystems stock) is a "tracking stock" intended to reflect the relative performance of the Applied Biosystems group of Applera. The Applied Biosystems group and the Celera Genomics group are not separate legal entities, and holders of these stocks are stockholders of a single company, Applera. This means that the assets Applera attributes to one group could be subject to the liabilities of the other group. Holders of Applera Celera stock will be subject to all of the risks relating to an investment in Applera, including the Applied Biosystems group. For more information about "tracking stock," see "Risk Factors Risks Related to a Capital Structure with Two Separate Classes of Common Stock" in this proxy statement/prospectus.

**Q:** How does the Applera Celera stock "track" or reflect the performance of the Celera Genomics group?

**A:** Applera believes that Applera Celera stock will reflect the separate performance of the Celera Genomics group. Applera's belief is based in part on the following:

upon the sale of 80% or more of the assets attributed to the Applera Celera stock, Applera's board of directors is required to take action that returns the value of the net proceeds of those assets to the holders of Applera Celera stock;

the amount available for payment of dividends to the holders of Applera Celera stock may not exceed the amount that would be available for payment of dividends if the businesses tracked by Applera Celera stock were a separate corporation;

if Applera decides to spin-off the assets attributed to the Celera Genomics group, Applera can redeem shares of Applera Celera stock with stock of one or more wholly-owned subsidiaries that hold all of the assets and liabilities attributed to the Celera Genomics group; and

the availability of separate, more detailed and specific public information about the Celera Genomics group and more focused coverage of the Celera Genomics group by research analysts.

Applera also believes that there are factors that may cause Applera Celera stock to not fully reflect the separate performance of the Celera Genomics group, including:

the complex nature of the terms of Applera Celera stock, such as the convertibility of Applera Celera stock into Applera-Applied Biosystems stock or vice versa, and the potential difficulties investors may have understanding these terms;

the fact that holders of Applera Celera stock generally do not have separate class voting rights with respect to significant matters affecting the Celera Genomics group;

the fact that, upon a liquidation or dissolution of Applera, holders of Applera Celera stock will not have specific rights against the assets



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of the Celera Genomics group and will not be entitled to receive liquidation proceeds which are proportional to the relative performance of the Celera Genomics group;

the assets attributed to the Celera Genomics group could be subject to the liabilities of the Applied Biosystems group, and vice versa, even if these liabilities arise from lawsuits, contracts or indebtedness that are attributed to the other group; and

any potential adverse investor reaction, by association, to earning announcements or other developments concerning the Applied Biosystems group.

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- Q:** Will I be able to sell the shares of Applera Celera stock I receive in the merger?
- A:** Yes. All stockholders of Axys, other than those deemed to be affiliated with or controlling stockholders of Axys, will generally be free to sell their shares of Applera Celera stock received in the merger. Affiliates of Axys will be able to sell their shares of Applera Celera stock within the limits permitted by Rule 145 under the Securities Act.
- Q:** What tax basis will holders of Axys common stock have in the Applera Celera stock they receive in the merger?
- A:** Your tax basis in your shares of Applera Celera stock will equal your current tax basis in your Axys common stock reduced by the amount of basis allocable to fractional shares for which you receive a cash payment.
- Q:** What will happen to options to purchase shares of Axys common stock?
- A:** Each option to purchase Axys common stock outstanding at the time of the merger will be assumed by Applera and converted into an option to purchase shares of Applera Celera stock. The option will be exercisable for a number of shares of Applera Celera stock equal to the number of shares of Axys common stock subject to the option multiplied by the exchange ratio (rounded down to the nearest whole share) and the exercise price per share will equal the existing option exercise price divided by the exchange ratio (rounded up to the nearest whole cent). However, in no event will the option exercise price for stock options held by Axys employees and consultants be higher than the closing price of a share of Applera Celera stock on the date immediately prior to the closing of the merger.
- Q:** What if the merger is not completed?
- A:** If the merger is not completed, Axys will continue to operate as an independent company, and neither Applera nor Axys will be under any obligation to purchase your Axys common stock. Axys may be required to pay a termination fee if the merger is not completed for reasons described under "The Merger Termination of the Merger Agreement Termination Fee" in this proxy statement/prospectus.
- Q:** How do I vote?
- A:** After carefully reading and considering the information contained in, or incorporated by reference in, this proxy statement/prospectus, please complete and sign your proxy and return it in the enclosed return envelope as soon as possible so that your shares may be represented at the special meeting. If you sign and send in your proxy and do not indicate how you want to vote, we will count your proxy as a vote in favor of approval and adoption of the merger agreement and approval of the merger. If you abstain from voting or do not vote your shares by proxy or in person, it will have the same effect as a vote against approval and adoption of the merger agreement and approval of the merger.
- The special meeting will be held at Axys' headquarters located at 180 Kimball Way, South San Francisco, California 94080 on November 16, 2001 at 10:00 a.m. Pacific Time. You may attend the special meeting and vote your shares in person, rather than signing and mailing your proxy.
- Q:** If my shares are held in a brokerage account or in "street name" by my broker, how do I vote?
- A:** Your broker will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker on how to instruct your broker to vote your shares. If you do not instruct your broker, your shares will not be voted, which will have the same effect as a vote against adoption of the merger agreement.

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- Q:** Can I change my vote after I have mailed my proxy card?
- A:** Yes. You can change your vote at any time before your proxy is voted at Axys' special meeting. You can do this in one of three ways.

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First, you can send a written notice to the Secretary of Axys, William J. Newell, stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card by following the instructions on the proxy card. Third, you can attend Axys' special meeting and vote in person.

**Q:** Should I send in my stock certificates now?

**A:** No. After the merger is completed, you will receive written instructions for exchanging your stock certificates. Please do not send in your stock certificates with your proxy.

**Q:** When do you expect the merger to be completed?

**A:** We are working to complete the merger as quickly as possible. We expect the merger to be completed in November of 2001. The merger agreement requires that the merger be completed by December 31, 2001.

**Q:** Who can help answer my questions?

**A:** If you have more questions about the merger or need assistance in voting your shares, you should contact:

MacKenzie Partners, Inc.  
156 Fifth Avenue  
New York, New York 10010  
212-929-5500 or 1-800-322-2885

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### SUMMARY OF THE PROXY STATEMENT/PROSPECTUS

We are sending this proxy statement/prospectus to holders of Axys common stock. This summary highlights selected information from this proxy statement/prospectus and may not contain all the information that is important to you. To better understand the merger, you should read this entire document carefully, including the agreement and plan of merger attached as Annex A, the opinion of JPMorgan H&Q, a division of J.P. Morgan Securities, Inc., attached as Annex B, and the other documents to which we refer. In addition, we incorporate by reference in this proxy statement/prospectus important business and financial information about Applera. You may obtain the information incorporated by reference in this proxy statement/prospectus without charge by following the instructions in the section entitled "Where You Can Find More Information" on page 144. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.

#### The Companies

##### **APPLERA CORPORATION (see page 114)**

301 Merritt 7  
Norwalk, Connecticut 06851-1070  
(203) 840-2000

Applera Corporation was incorporated in Delaware in 1998 and succeeded by recapitalization to the business of PE Corporation (NY) (formerly The Perkin-Elmer Corporation) in May 1999. Applera conducts its business through two operating groups: the Celera Genomics group and the Applied Biosystems group. Applera has two classes of common stock, Applera Celera stock and Applera Applied Biosystems stock, that are intended to reflect the relative performance of these groups. For more information about Applera's two classes of common stock, see "Description of the Applera Capital Stock" and "Risk Factors Risks Related to a Capital Structure with Two Separate Classes of Common Stock" in this proxy statement/prospectus.

The Celera Genomics group is engaged principally in integrating advanced technologies to create therapeutic discovery and development capabilities for internal use and for its customers and collaborators. The Celera Genomics group's businesses are its online information business and its therapeutics discovery business. The online information business is a leading provider of information based on the human genome and related biological and medical information. Pharmaceutical, biotechnology, and academic customers use this information, along with customized information technology solutions provided by the Celera Genomics group, to enhance their capabilities in the fields of life science research and pharmaceutical and diagnostic discovery and development. The Celera Genomics group recently expanded its focus to include therapeutic discovery and development. The Celera Genomics group intends to leverage its capabilities in the study of genes and proteins and their relationship to diseases, both in internal programs and through collaborations, to identify drug targets and diagnostic markers, and to discover and develop novel therapeutic candidates. Initially, the Celera Genomics group intends to focus its therapeutic discovery efforts in the field of

oncology.

The Applied Biosystems group is a world leader in the development, manufacture, sale and service of instrument systems and associated consumable products for life science research and related applications. Its products are used in various applications including the synthesis, amplification, purification, isolation, analysis and sequencing of nucleic acids, proteins and other biological molecules.

Applera has formed Celera Diagnostics as a joint venture between the Celera Genomics group and the Applied Biosystems group in the field of diagnostics. Applera expects that Celera Diagnostics will be focused on the discovery, development, and commercialization of novel diagnostic tests.

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The information contained on Applera's website is not incorporated by reference in this proxy statement/prospectus.

**AXYS PHARMACEUTICALS, INC. (see page 80)**

180 Kimball Way  
South San Francisco, California 94080  
(650) 829-1000

Axys, a Delaware corporation, is an integrated drug discovery and development company that has a broad pipeline of product candidates for chronic therapeutic applications that are partnered with world-class pharmaceutical companies, or for which Axys is seeking partners, and a portfolio of proprietary cancer related therapeutic products. Axys also has investments in affiliated businesses that use the Axys technologies. Currently, these companies include Discovery Partners International, Inc. (Nasdaq: DPII), a chemistry services company, DNA Sciences, Inc., a genetics company and Akkadix Corporation, an agricultural biotechnology company.

The information contained on Axys' website is not incorporated by reference in this proxy statement/prospectus.

**ANGEL ACQUISITION SUB, INC. (see page 114)**

c/o Applera Corporation  
301 Merritt 7  
Norwalk, Connecticut 06851-1070  
(203) 840-2000

Angel Acquisition, a Delaware corporation, is a wholly owned subsidiary of Applera that was organized solely for purposes of completing the merger.

**The Special Meeting (see page 39)**

The special meeting of stockholders of Axys will be held at 10:00 a.m. Pacific Time, on November 16, 2001, at Axys' headquarters located at 180 Kimball Way, South San Francisco, California 94080.

At the special meeting, we will ask the holders of shares of Axys common stock to:

approve and adopt the merger agreement and approve the merger; and

conduct any other business properly brought before the meeting.

**Record Date; Vote Required (see page 39)**

You can vote, or submit a proxy to vote, at the special meeting if you were a record holder of Axys common stock at the close of business on October 1, 2001, the record date for determining which holders of Axys common stock are entitled to vote at the special meeting. At the record date, there were 40,486,750 shares of Axys common stock entitled to vote at the special meeting.

Holders of Axys common stock as of the record date are entitled to one vote per share on each matter to be voted on at the special meeting.

The merger will be approved only if the holders of a majority of the outstanding shares of Axys common stock entitled to vote at the special meeting vote for the proposal to approve and adopt the merger agreement and approve the merger.

**Reasons of Axys for the Merger (see page 46)**

Since its inception, Axys has been focused on developing a state-of-the-art drug discovery system. Axys believes that the effectiveness of this system has been demonstrated in its partnerships with Merck, Bayer and Aventis. To more fully take advantage of the potential of its technologies as well as the expertise of Axys' scientific teams, Axys has determined that it needs a source of new targets for drug therapies. The delivery of potential targets for drug discovery has been at the core of the work of the Celera Genomics group in the human genome, and remains so in its future plans. Hence, Axys believes that Axys and the Celera Genomics group have complementary strengths which are expected to enable the combined company to move forward more quickly and effectively in the research and development of innovative drug candidates. In addition, holders of Axys common stock will have the opportunity to participate in a larger and better capitalized organization and to benefit from potential appreciation in Applera Celera stock. Axys believes that these and other factors should provide a greater opportunity for increased value for the stockholders of Axys than could be achieved on a stand-alone basis.

**Reasons of Applera for the Merger (see page 49)**

Applera believes that the merger will enable the combined company to compete more effectively and achieve a number of strategic objectives, particularly the expansion of the business of the Celera Genomics group into therapeutic drug discovery and development. In addition, Applera believes that the culture and employees of Axys and the Celera Genomics group, as well as their respective capabilities, technology, programs and products, will be both complementary and compatible, which will facilitate integration of Axys with the Celera Genomics group.

**Recommendation of the Axys Board of Directors (see page 49)**

The Axys board of directors has unanimously approved the merger agreement and the merger and has determined that the merger agreement and merger are advisable and fair to, and in the best interests of, Axys and its stockholders. The board of directors of Axys unanimously recommends that holders of Axys common stock vote FOR the approval and adoption of the merger agreement and the approval of the merger.

**Opinion of Financial Advisor to the Axys Board of Directors (see page 49)**

The board of directors of Axys received an opinion dated as of June 12, 2001 from its financial advisor, JPMorgan H&Q, a division of J.P. Morgan Securities Inc., that, as of the date of the opinion and subject to the assumptions and limitations in the opinion, the "exchange ratio" specified in the merger agreement was fair, from a financial point of view, to the holders of Axys common stock. The opinion of JPMorgan H&Q is necessarily based on economic, market and other conditions as in effect on, and the information made available to it as of June 12, 2001. Some of the financial analyses performed by JPMorgan H&Q in connection with providing its opinion include calculations based on the market prices of Applera Celera stock and Axys common stock on specified dates or during specified periods. JPMorgan H&Q was aware that the market prices of both Applera Celera stock and Axys common stock could fluctuate in the future due to changes in market conditions or other reasons. On June 12, 2001 the last full trading day prior to the announcement of the merger agreement, the closing price of Applera Celera stock was \$41.75 per share and the closing price of Axys common stock was \$3.45 per share. On October 12, 2001 the last full trading day before the date of this proxy statement/prospectus, the closing price of Applera Celera stock was \$26.80 per share and the closing price of Axys common stock was \$3.54 per share. It should be understood that subsequent developments may affect this opinion and that JPMorgan H&Q does not have any obligation to update, revise, or reaffirm this opinion.

This opinion is attached as Annex B to this proxy statement/prospectus. We encourage you to read this opinion in its entirety.

**Terms of the Merger Agreement**

We have attached the merger agreement, which is the legal document that governs and sets the terms of the merger, as Annex A to this proxy statement/prospectus. We encourage you to read the merger agreement in its entirety.

*Conversion of Shares and Options (see page 56)*

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In the merger, each share of Axys common stock will be converted into the right to receive a fraction of a share of Applera Celera stock as determined in accordance with the merger agreement and as described in this proxy statement/prospectus. The exact number of shares of Applera Celera stock will be determined by an exchange ratio that will be calculated based on the average closing price of Applera Celera stock over the 10 trading days immediately preceding (but excluding) the second trading day prior to the closing of the merger as follows:

if this 10-day average closing price is greater than \$60.27, the fraction will be fixed at 0.0813 share;

if this 10-day average closing price is greater than \$48.23 and less than or equal to \$60.27, the fraction will be \$4.90 divided by this 10-day average closing price;

if this 10-day average closing price is equal to or greater than \$45.77 and less than or equal to \$48.23, the fraction will be 0.1016 share;

if this 10-day average closing price is less than \$45.77 and greater than or equal to \$34.32, the fraction will be \$4.65 divided by this 10-day average closing price; and

if this 10-day average closing price is less than \$34.32, the fraction will be fixed at 0.1355 share.

Holders will receive only whole shares of Applera Celera stock, and will receive cash instead of fractional shares, as described in this proxy statement/prospectus under "The Merger Fractional Shares."

### *Conditions to the Completion of the Merger (see page 67)*

Several conditions must be satisfied or waived before the merger will be completed. These include:

the approval of the merger and approval and adoption of the merger agreement by the Axys stockholders;

the absence of any injunction, temporary restraining order, or other legal restraint that prohibits the merger;

the absence of any suit or other proceeding by any government entity which seeks to prohibit the merger, limit Applera's ownership or operation of any material portion of Axys, or impose limitations on the ability of Applera to exercise ownership rights of any shares of Axys as the surviving corporation after the merger;

the accuracy, in all material respects, of the representations and warranties of Applera and Axys in the merger agreement;

the fulfillment of the obligations of Axys, Applera and Angel Acquisition under the merger agreement; and

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receipt of legal opinions from counsel to the effect that the merger will qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended.

### *Non-Solicitation Covenant (see page 65)*

Axys has agreed, subject to limited exceptions, not to initiate or engage in discussions with another party about a business combination with the other party prior to the termination of the merger agreement.

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### *Termination (see page 68)*

Applera and Axys may mutually agree to terminate the merger agreement at any time. In addition, either Applera or Axys may terminate the merger agreement if specified events do or do not occur. These include:

if a court or government regulator permanently prohibits the merger;

if the merger is not completed on or before December 31, 2001, other than as a result of the failure by the party proposing to terminate the merger agreement to perform its obligations;

if the holders of Axys common stock fail to approve and adopt the merger agreement and approve the merger at the special meeting; or

if the other party breaches its representations or agreements so that a closing condition would not be satisfied and the breach, if curable, remains uncured 30 days following notice to the breaching party.

Applera may also terminate the merger agreement if:

the Axys board of directors withdraws or modifies, in a manner adverse to Applera, its recommendation of the merger agreement and the merger, or approves or recommends another acquisition proposal; or

the Axys board of directors fails to recommend rejection of any tender offer or exchange offer for more than 15% of the outstanding shares of Axys common stock.

The merger agreement may also be terminated by Axys if the Axys board of directors concludes in good faith after consultation with outside legal counsel that in order to avoid violating its fiduciary duties in connection with a proposal for an alternative transaction that meets specified standards, it must withdraw or modify its recommendation of the merger agreement and the merger and it withdraws or modifies its recommendation. For more information with respect to Axys' ability to terminate the merger agreement because of the fiduciary duties of its board of directors, see "The Merger Termination of the Merger Agreement" in this proxy statement/prospectus.

### *Termination Fee (see page 69)*

Axys will pay Applera a fee of \$5.6 million and up to \$900,000 in out-of-pocket expenses if the merger agreement is terminated under circumstances including a withdrawal of or change in the recommendation of the Axys board of directors in a manner that is adverse to Applera or the completion of an alternative transaction that was publicly announced prior to the termination of the merger agreement. These circumstances are described in detail in "The Merger Termination of the Merger Agreement Termination Fee" in this proxy statement/prospectus.

### *Regulatory Matters (see page 68)*

The merger is subject to the requirements of the Hart-Scott-Rodino Act. On June 29, 2001, Applera and Axys filed the requisite Pre-Merger Notification and Report Forms with the United States

Federal Trade Commission and the United States Department of Justice. The waiting period under the Hart-Scott-Rodino Act expired on July 30, 2001.

### *Accounting Treatment (see page 73)*

For accounting and financial reporting purposes, the merger will be treated as a purchase by Applera under generally accepted accounting principles.

*NYSE Listing (see page 68)*

Applera will list the Applera Celera stock to be issued in the merger on the New York Stock Exchange.

**Material United States Federal Income Tax Consequences (see page 71)**

Applera has received an opinion from Simpson Thacher & Bartlett and Axys has received an opinion from Latham & Watkins to the effect that, if the merger is completed as contemplated, the merger will qualify as a tax-free reorganization for United States federal income tax purposes, and that holders of Axys common stock will not recognize any gain or loss for United States federal income tax purposes on the exchange of their common stock for Applera Celera stock, except to the extent they receive cash in lieu of fractional shares. These opinions are subject to certain assumptions and qualifications, as described under "The Merger Material United States Federal Income Tax Consequences."

**Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. You should consult your own tax advisor to fully understand the tax consequences of the merger to you.**

**Interests of Axys' Officers and Directors in the Merger (see page 73)**

When considering the recommendation of the Axys board of directors, you should be aware that Axys officers and directors have interests in the merger that may be different from, or in addition to, your interests as stockholders. These interests exist in part because of rights they may have under Axys employment agreements and benefits plans. In addition, the merger agreement requires that after completion of the merger Applera must cause Axys, as the company surviving the merger, to indemnify the directors and officers of Axys for events occurring before the merger, including events that are related to the merger.

**Dissenters' Rights (see page 78)**

Under Delaware law, stockholders of Axys will not be entitled to exercise dissenters' appraisal rights in connection with the merger.

**Comparison of Rights of Holders of Applera Celera Stock and Axys Common Stock (see page 141)**

Applera's certificate of incorporation and bylaws and Axys' certificate of incorporation and bylaws are different. In particular, Applera Celera stock is a "tracking stock" and Axys common stock is not. As a result, the holders of Axys common stock will have different rights as holders of Applera Celera stock, since holders of a "tracking stock" do not have the same rights as typical common stockholders of a corporation without "tracking stock." Applera conducts its business through two operating groups: the Celera Genomics group and the Applied Biosystems group. The Applied Biosystems group and the Celera Genomics group are not separate legal entities, and holders of these stocks are stockholders of a single company, Applera. This means that the assets Applera attributes to one group could be subject to the liabilities of the other group. Holders of Applera Celera stock will be subject to all of the risks

relating to an investment in Applera, including the Applied Biosystems group. Axys is a separate legal entity and holders of its common stock are subject to the benefits and risks associated with its consolidated businesses, assets and liabilities. This is not the only difference between the rights of Applera Celera stock and Axys common stock. For more information, see "Description of Applera Capital Stock" and "Risk Factors Risks Related to a Capital Structure with Two Separate Classes of Common Stock" in this proxy statement/prospectus.

**Comparative Market Price and Dividend Information (see page 18)**

Shares of Applera Celera stock are listed on the New York Stock Exchange under the symbol "CRA." On June 12, 2001, the last full trading day prior to the public announcement of the proposed merger, Applera Celera stock closed at \$41.75 per share. On October 12, 2001, the last full trading day prior to the date of this proxy statement/prospectus, Applera Celera stock closed at \$26.80 per share.

Shares of Axys common stock are traded on the Nasdaq National Market under the symbol "AXPH." On June 12, 2001, the last full trading day prior to the public announcement of the proposed merger, Axys' common stock closed at \$3.45 per share. On October 12, 2001, the last full trading day prior to the date of this proxy statement/prospectus, Axys' common stock closed at \$3.54 per share.

**SELECTED HISTORICAL CONSOLIDATING FINANCIAL INFORMATION AND SELECTED UNAUDITED PRO FORMA CONSOLIDATING FINANCIAL INFORMATION**

**Applera Selected Historical Consolidating Financial Information**

The following selected consolidating financial information has been derived from the consolidated financial statements of Applera, the combined financial statements of the Applied Biosystems group and the combined financial statements of the Celera Genomics group for each of the five fiscal years in the period ended June 30, 2001. The information set forth below should be read in conjunction with the Applera consolidated statements, the Applied Biosystems group combined financial statements, and the Celera Genomics group combined financial statements, and related notes thereto contained in the Applera Annual Report to Stockholders for the year ended June 30, 2001, incorporated herein by reference.

On May 6, 1999, Applera recapitalized and issued two new classes of common stock, the Applera Celera stock and the Applera Applied Biosystems stock, to the stockholders of Applera's predecessor. Effective November 30, 2000, Applera, which was named "PE Corporation" at the time of the recapitalization, was renamed "Applera Corporation" and the Applied Biosystems group, which was named the "PE Biosystems" group at the time of the recapitalization, was renamed the "Applied Biosystems" group. Therefore, neither the Applera Celera stock nor the Applera Applied Biosystems stock was issued or outstanding at any time prior to May 6, 1999.

All share and per share amounts have been restated to reflect all prior stock splits of Applera Applied Biosystems stock and Applera Celera stock.

A number of items impact the comparability of this information. Before-tax amounts include:

**Applied Biosystems Group**

Restructuring, other merger costs, and acquisition-related costs of \$48.1 million for fiscal 1998, \$6.1 million for fiscal 1999, and \$2.1 million for fiscal 2000;

A restructuring reserve adjustment of \$9.2 million for fiscal 1999 relating to excess fiscal 1998 restructuring liabilities;

Gains on investments of \$64.9 million for fiscal 1997, \$1.6 million for fiscal 1998, \$6.1 million for fiscal 1999, \$48.6 million for fiscal 2000, and \$15.0 million for fiscal 2001;

Acquired research and development charges of \$28.9 million for fiscal 1998;

Charges for the impairment of assets of \$0.7 million for fiscal 1997 and \$14.5 million for fiscal 1999;

Tax benefit and valuation allowance reductions of \$22.2 million for fiscal 1999;

A charge of \$3.5 million for a donation to Applera's charitable foundation for fiscal 1999;

Foreign currency hedge contract-related gain of \$2.3 million for fiscal 1999;

Charges of \$4.6 million for fiscal 1999 relating to the recapitalization of Applera;

Charges relating to the acceleration of some of Applera's long-term compensation programs as a result of the attainment of performance targets of \$9.1 million for fiscal 1999 and \$45.0 million for fiscal 2000; and



A gain of \$8.2 million on the sale of real estate for fiscal 2000.

**Celera Genomics Group**

Acquired research and development charges of \$26.8 million for fiscal 1997;

Charges of \$5.6 million relating to the recapitalization and transformation of the Company for fiscal 1999;

A charge for the impairment of goodwill and other intangibles of \$69.1 million for fiscal 2001; and

A loss of \$5.0 million from the Celera Genomics group's interest in Celera Diagnostics for fiscal 2001.

**Fiscal years ended June 30,**

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
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(Dollar amounts in thousands except per share amounts)

**Financial Operations**

Net revenues

Applied Biosystems group	\$ 767,465	\$ 940,095	\$ 1,221,691	\$ 1,388,100	\$ 1,619,495
Celera Genomics group	903	4,211	12,541	42,747	89,385
Eliminations			(17,335)	(59,812)	(64,754)
Applera Corporation	768,368	944,306	1,216,897	1,371,035	1,644,126

Income (loss) from continuing operations

Applied Biosystems group	132,739	24,009	148,365	186,247	212,391
Celera Genomics group	(30,247)	(8,315)	(44,894)	(92,737)	(186,229)
Eliminations			(6,674)	1,986	1,072
Applera Corporation	102,492	15,694	96,797	95,496	27,234

**Per Share Information**

**Applera Corporation**

Income from continuing operations

Basic per share	\$ 2.16	\$ 0.32			
Diluted per share	\$ 2.07	\$ 0.31			
Dividends per share	\$ 0.68	\$ 0.68	\$ 0.51		

**Applied Biosystems Group**

Income from continuing operations

Basic per share			\$ 0.74	\$ 0.90	\$ 1.01
Diluted per share			\$ 0.72	\$ 0.86	\$ 0.96
Dividends per share			\$ 0.0425	\$ 0.17	\$ 0.17

**Celera Genomics Group**

Net loss

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Fiscal years ended June 30,

Basic and diluted per share			\$ (0.89)	\$ (1.73)	\$ (3.07)	
<b>Other Information</b>						
Cash and cash equivalents and short-term investments						
Applied Biosystems group	217,222	84,091	236,530	394,608	392,459	
Celera Genomics group			71,491	1,111,034	995,558	
Eliminations						
Applera Corporation	217,222	84,091	308,021	1,505,642	1,388,017	
Total assets						
Applied Biosystems group	1,003,810	1,128,937	1,347,550	1,698,156	1,677,887	
Celera Genomics group	2,983	6,339	344,720	1,413,257	1,220,136	
Eliminations			(172,963)	(28,098)	(10,165)	
Applera Corporation	1,006,793	1,135,276	1,519,307	3,083,315	2,887,858	
Long-term debt						
Applied Biosystems group	59,152	33,726	31,452	36,115		
Celera Genomics group				46,000		
Eliminations						
Applera Corporation	59,152	33,726	31,452	82,115		

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**Selected Unaudited Pro Forma Consolidating Financial Information of Applera**

The following selected unaudited pro forma consolidating financial information is derived from unaudited Applera pro forma financial statements and the notes thereto, which are included elsewhere in this proxy statement/prospectus and should be read in conjunction with those statements and related notes. See "Unaudited Pro Forma Consolidated and Consolidating Financial Statements" in this proxy statement/prospectus.

The unaudited Applera pro forma consolidated balance sheets assume that the merger took place on June 30, 2001 and combines Applera's June 30, 2001 audited consolidated balance sheet with Axys' June 30, 2001 unaudited balance sheet. The unaudited pro forma consolidated statement of operations for the year ended June 30, 2001 gives effect to the merger as if it occurred on July 1, 2000. Because Applera and Axys have two different fiscal years, and the combined company will adopt the fiscal year of Applera, pro forma operating results are presented on a June 30 fiscal year basis.

The unaudited pro forma consolidating financial information is presented for illustrative purposes only and is not necessarily indicative of the consolidated financial position or results of operations of future periods or the results that actually would have been realized had the entities been a single entity during this period.

**Applera Corporation**  
**Selected Unaudited Pro Forma Consolidating Financial Information**  
**Fiscal Year Ended June 30, 2001**

	Pro Forma Celera	Applied Biosystems	Eliminations	Pro Forma Applera
<b>(Dollar amounts in thousands except per share amounts)</b>				
<b>Financial Operations</b>				
Net revenues	\$ 97,343	\$ 1,619,495	\$ (64,754)	\$ 1,652,084

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	Pro Forma Celera	Applied Biosystems	Eliminations	Pro Forma Applera
Net income (loss)	(229,781)	212,391	1,072	(16,318)
<b>Per Share Information</b>				
Net income per share:				
Basic	\$ (3.47)	\$ 1.01		
Diluted	(3.47)	0.96		
Dividends per share		0.17		
<b>Other Information</b>				
Cash and cash equivalents and short-term investments	\$ 1,016,385	\$ 392,459	\$	\$ 1,408,844
Total assets	1,381,934	1,677,887	(10,165)	3,049,656
Long-term debt	26,000			26,000
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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF AXYS**

The following selected consolidated financial information has been derived from the consolidated financial statements of Axys (and its predecessor company) for each of the five fiscal years in the period ended December 31, 2000, and the six month periods ended June 30, 2000 and 2001. The operating results for the six months ended June 30, 2001 are not necessarily indicative of the results that may be expected for the entire fiscal year. The information set forth below should be read in conjunction with the Axys audited financial statements and notes thereto which are included in this proxy statement/prospectus commencing on page F-1, and "Axys Management's Discussion and Analysis of Financial Condition and Result of Operations" commencing on page 95 of this proxy statement/prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	1996	1997(1)	1998(1)(2)	1999(1)	2000	2000	2001
(in thousands, except per share amounts)							
(unaudited)							
<b>Consolidated Statements of Operations:</b>							
Revenues	\$ 21,560	\$ 20,499	\$ 35,760	\$ 24,084	\$ 6,990	\$ 2,922	\$ 3,890
<b>Operating costs and expenses:</b>							
Research and development	24,319	27,062	57,502	55,174	36,575	15,899	17,020
General and administrative	5,409	7,153	13,411	10,872	9,999	5,722	6,618
Restructuring charge				5,175	(592)	(625)	
Acquired in-process research and development	230		124,888				
Total operating costs and expenses	29,958	34,215	195,801	71,221	45,982	20,996	23,638
Operating loss	(8,398)	(13,716)	(160,041)	(47,137)	(38,992)	(18,074)	(19,748)
Interest income (expense), net	2,470	2,422	2,317	341	(4,105)	440	(1,659)
Equity in losses of joint venture			(2,393)	(836)	(3,208)		(9,397)
Other income (expense), net				(852)	889	79	(1,635)
Net loss from continuing operations	(5,928)	(11,294)	(160,117)	(48,484)	(45,416)	(17,555)	(32,439)
Discontinued operations		327	3,993	(279)	(5,941)	(2,529)	
Cumulative effect of change in accounting principle							972
Gain on disposal of segments					61,213	32,987	
Net income (loss)	\$ (5,928)	\$ (10,967)	\$ (156,124)	\$ (48,763)	\$ 9,856	\$ 12,903	\$ (31,467)

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	Year Ended December 31,					Six Months Ended June 30,	
	1996	1997	1998	1999	2000	2000	2001
Net loss per share, basic and diluted from continuing operations	\$ (0.45)	\$ (0.75)	\$ (5.38)	\$ (1.59)	\$ (1.29)	\$ (0.52)	\$ (0.87)
Net income (loss) per share, basic and diluted	\$ (0.45)	\$ (0.73)	\$ (5.25)	\$ (1.60)	\$ 0.28	\$ 0.38	\$ (0.84)
Weighted average number of shares used in computing basic and diluted net loss per share	13,177	15,025	29,758	30,385	35,281	33,678	37,480

December 31, June 30,

(unaudited)

Consolidated Balance Sheet Data:

Cash, cash equivalents and marketable investments(3)	\$ 66,720	\$ 53,408	\$ 72,717	\$ 26,657	\$ 41,776	\$ 39,510	\$ 20,827
Total assets	80,832	73,584	107,262	55,734	118,696	98,444	99,244
Long-term obligations	10,676	15,331	16,816	57	27,889	8	29,549
Accumulated deficit	(62,804)	(73,771)	(229,895)	(277,211)	(267,355)	(264,308)	(298,821)
Total stockholders' equity	52,900	43,890	60,512	14,047	79,565	64,340	59,695

- (1) Reclassified results of operations in accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" in connection with the sale of Axys Advanced Technologies and PPGx, Inc. during 2000.
- (2) Includes the results of operations of Sequana Therapeutics, Inc. from January 8, 1998 through December 31, 1998, including a one-time charge for acquired in-process research and development. Excluding this one-time charge, net loss and net loss per share would have been \$31,236,000 and \$1.05 per share, respectively.
- (3) Includes restricted cash of \$4 million at June 30, 2001.

**COMPARATIVE PER SHARE INFORMATION (UNAUDITED)**

The following table summarizes per share information for Applera and Axys on a historical and unaudited pro forma basis for Applera and a historical and equivalent pro forma basis for Axys. The following information should be read in conjunction with the audited consolidated financial statements of Applera, which are incorporated herein by reference, the audited financial statements of Axys, the unaudited interim financial statements of Axys, the selected historical consolidated and consolidating financial information of Applera and Axys, the selected unaudited pro forma consolidated and consolidating financial information and the unaudited pro forma condensed consolidated and consolidating financial statements included elsewhere in this proxy statement/prospectus. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been consummated as of the beginning of the periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined companies.

	Year Ended June 30, 2001
<b>Applera Corporation:</b>	
<b>Applied Biosystems Group</b>	
Net income:	
Historical:	

	<b>Year Ended June 30, 2001</b>
Basic	\$ 1.01
Diluted	0.96
Pro forma:	
Basic	\$ 1.01
Diluted	0.96
Dividends:	
Historical	\$ 0.17
Pro forma	0.17
Book Value:	
Historical	\$ 4.92
Pro forma	4.92
<b>Celera Genomics Group</b>	
Loss from continuing operations:	
Historical:	
Basic and diluted	\$ (3.07)
Pro forma	
Basic and diluted(1)	\$ (3.47)
Dividends:	
Historical	\$
Pro forma	
Book Value:	
Historical	\$ 18.00
Pro forma(1)	18.20

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**Axys Pharmaceuticals, Inc.:**

Loss from continuing operations:	
Historical:	
Basic and diluted	\$ (1.62)
Equivalent pro forma:	
Basic and diluted(1)	\$ (0.47)
Dividends:	
Historical	\$
Equivalent pro forma	
Book Value:	
Historical	\$ 1.48
Equivalent pro forma(1)	\$ 2.47

(1)

The Axys per share equivalent pro forma information is calculated by multiplying the per share amounts for the Celera Genomics group by 0.1355, which is the exchange ratio that would have been applied to the Axys common stock under the merger agreement had the merger occurred on October 1, 2001. If the merger had occurred on October 1, 2001, the average closing price of Applera Celera stock during the calculation period that would have been used in the determination of the exchange ratio was \$21.38. The pro forma per share information may differ if the ten-day average closing price of Applera Celera stock exceeds \$34.32 per share prior to the closing of the merger.

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**COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION**

Applera Celera stock is listed on the New York Stock Exchange under the symbol: "CRA."

The following table sets forth the range of high and low sale prices of Applera Celera stock as reported by the New York Stock Exchange Composite Tape since May 6, 1999. On May 6, 1999, Applera recapitalized and issued two new classes of stock, the Applera Celera stock and the Applera Applied Biosystems stock, to the stockholders of Applera's predecessor. Effective November 30, 2000, Applera, which was named "PE Corporation" at the time of the recapitalization, was renamed "Applera Corporation," and the Applied Biosystems group, which was named the "PE Biosystems" group at the time of the recapitalization, was renamed the "Applied Biosystems" group. Therefore, neither the Applera Celera stock nor the Applera Applied Biosystems stock was issued or outstanding at any time prior to May 6, 1999. The table gives effect to the two-for-one stock split of Applera Celera stock effected in the form of a 100% stock dividend distributed on February 18, 2000. Applera has not paid any cash dividends with respect to Applera Celera stock and does not anticipate paying any cash dividends on Applera Celera stock in the foreseeable future.

	<b>High</b>	<b>Low</b>
<b>FISCAL YEAR ENDED JUNE 30, 1999</b>		
Fourth Quarter (from May 6, 1999)	\$ 11.2500	\$ 7.0938
<b>FISCAL YEAR ENDED JUNE 30, 2000</b>		
First Quarter	\$ 26.9063	\$ 7.8750
Second Quarter	\$ 96.4063	\$ 15.1875
Third Quarter	\$ 276.0000	\$ 73.0000
Fourth Quarter	\$ 151.0000	\$ 50.1875
<b>FISCAL YEAR ENDED JUNE 30, 2001</b>		
First Quarter	\$ 118.5625	\$ 80.1875
Second Quarter	\$ 100.5000	\$ 29.2500
Third Quarter	\$ 54.9000	\$ 24.0000
Fourth Quarter	\$ 49.9000	\$ 26.2000
<b>FISCAL YEAR ENDING JUNE 30, 2002</b>		
First Quarter	\$ 39.9500	\$ 19.3000
Second Quarter (through October 12, 2001)	\$ 27.0000	\$ 23.0000

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Axys common stock is traded on the Nasdaq National Market under the symbol "AXPH."

The following table sets forth the range of high and low sale prices of Axys common stock as reported on the Nasdaq National Market since January 7, 1998, the date when Arris Pharmaceuticals Corporation and Sequana Therapeutics merged to form Axys. Axys has not paid any cash dividends since its inception and does not anticipate paying any cash dividends in the foreseeable future.

	<b>High</b>	<b>Low</b>
<b>FISCAL YEAR ENDED DECEMBER 31, 1998</b>		
First Quarter (from January 7, 1998)	\$ 10.75	\$ 7.66
Second Quarter	\$ 8.75	\$ 6.50
Third Quarter	\$ 7.75	\$ 3.38
Fourth Quarter	\$ 7.06	\$ 3.69
<b>FISCAL YEAR ENDED DECEMBER 31, 1999</b>		
First Quarter	\$ 8.13	\$ 3.75
Second Quarter	\$ 4.50	\$ 3.00
Third Quarter	\$ 5.97	\$ 3.56
Fourth Quarter	\$ 4.97	\$ 2.69

	<u>High</u>	<u>Low</u>
<b>FISCAL YEAR ENDED DECEMBER 31, 2000</b>		
First Quarter	\$ 20.25	\$ 3.88
Second Quarter	\$ 9.00	\$ 3.53
Third Quarter	\$ 8.88	\$ 5.00
Fourth Quarter	\$ 7.13	\$ 3.56
<b>FISCAL YEAR ENDING DECEMBER 31, 2001</b>		
First Quarter	\$ 6.75	\$ 2.50
Second Quarter	\$ 4.40	\$ 2.19
Third Quarter	\$ 4.25	\$ 2.25
Fourth Quarter (through October 12, 2001)	\$ 3.54	\$ 3.00

The following table sets forth the closing price per share of Applera Celera stock on the New York Stock Exchange and of Axys common stock on the Nasdaq National Market on June 12, 2001, the last full trading day prior to the announcement of the merger agreement; on October 12, 2001, the last full trading day before the date of this proxy statement/prospectus; and the equivalent per share prices for Axys common stock based on Applera Celera stock prices using an exchange ratio calculated under the merger agreement as if the closing of the merger had occurred on those dates.

	<u>Applera</u>	<u>Celera Stock</u>	<u>Axys</u> <u>Common Stock</u>	<u>Estimated Equivalent</u> <u>Axys Per Share Price</u>
June 12, 2001	\$	41.75	\$ 3.45	\$ 4.65
October 12, 2001	\$	26.80	\$ 3.54	\$ 3.63

The actual equivalent per share price of a share of Axys common stock that holders of Axys common stock will receive if the merger is completed may increase or decrease from that noted in the table above due to continuous fluctuations in the per share price of Applera Celera stock on the New York Stock Exchange and application of the applicable exchange ratio as further discussed in this proxy statement/prospectus under "The Merger Consideration to be Received in the Merger".

**We urge Axys stockholders to obtain current market quotations for Applera Celera stock and Axys common stock prior to making any decision with respect to the merger. We cannot give any assurance as to the future prices or markets for Applera Celera stock.** Following the merger, Applera Celera stock will continue to be traded on the New York Stock Exchange, and there will be no further market for Axys common stock.

## RISK FACTORS

By voting in favor of approving and adopting the merger agreement and approving the merger, you will be choosing to invest in Applera Celera stock. You should carefully consider the following factors before voting on the proposal to approve and adopt the merger agreement and the merger.

### Risks Related to the Merger

**The number of shares of Applera Celera stock to be received in the merger by holders of Axys common stock may vary due to the formula for calculating the exchange ratio.**

In the merger, each share of Axys common stock will be converted into the right to receive a number of shares of Applera Celera stock equal to the exchange ratio. The exchange ratio, or the number of shares of Applera Celera stock into which each share of Axys common stock will be converted, will fluctuate, within specified limits, depending upon the 10-day average closing price of a share of Applera Celera stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger. See "The Merger Consideration to be Received in the Merger" in this proxy statement/prospectus for a discussion of the determination of the exchange ratio. In addition, the volatility of the market price of Applera Celera stock directly affects the exchange ratio calculation, as described in this proxy statement/prospectus. See "Summary Comparative Per Share Market Price and Dividend Information" in this proxy statement/prospectus for more detailed Applera Celera stock share price information. Variations in the Applera Celera stock share price may be the result of various factors including:

changes in the business, operations or prospects of the Celera Genomics group;

changes in the business, operations or prospects of Applera (including the Applied Biosystems group);

general market and economic conditions; and

other factors described under " Risks Related to the Celera Genomics Group Applera Celera Stock Price is Highly Volatile" in this proxy statement/prospectus.

At the time of the special meeting, holders of Axys common stock will not necessarily know the exact number of shares or the exact market price of the Applera Celera stock that will be issued in connection with the merger. The number of shares that will be received for each share of Axys common stock will be calculated using the exchange ratio described in this proxy statement/prospectus, and may vary accordingly based on the trading price of Applera Celera stock after the special stockholders meeting. Stockholders of Axys are urged to obtain current market quotations for Applera Celera stock prior to the date of the special stockholders meeting.

**Axys' executive officers and board of directors have interests in the merger that are different from, or in addition to, those of holders of Axys common stock.**

These interests include agreements with Axys that entitle its executive officers and its board of directors to receive severance or termination pay or to accelerated stock option vesting upon completion of the merger. See "The Merger Interests of Certain Persons in the Merger" beginning on page 73 in this proxy statement/prospectus for more information.

**The Celera Genomics group may encounter difficulties in the integration and development of the business of Axys and in attracting and retaining employees of Axys.**

The Celera Genomics group's strategy to integrate and develop the combined businesses of the Celera Genomics group and Axys following the merger involves a number of elements that management may not be able to implement as expected. For example, the Celera Genomics group may

encounter operational difficulties in the integration of facilities and employees of the two companies. In addition, the Celera Genomics group's expansion into the drug discovery area as a result of the integration of the capabilities of the Celera Genomics group and Axys may not be achieved as successfully or as rapidly as currently anticipated, if at all, and may require the acquisition or development of additional technologies and capabilities. The consolidation of operations and scientific teams presents significant managerial challenges. There can be no assurance that these actions will be accomplished as successfully or as rapidly as currently anticipated, if at all. There can also be no assurance that the employees of Axys will be willing to continue their employment with Axys after the merger. There is no assurance that after the merger the Celera Genomics group will be able to maintain all of the existing commercial relationships of Axys or the Celera Genomics group.

**Risks Related to the Celera Genomics Group**

**The Celera Genomics group has incurred net losses to date and may not achieve profitability.**

The Celera Genomics group has accumulated net losses of \$365.0 million as of June 30, 2001, and expects that it will continue to incur additional net losses for the foreseeable future. These losses are expected to increase as the Celera Genomics group increases its investments in new technology and product development, including investments for the development of its therapeutics discovery and development business and investments in Celera Diagnostics, its joint venture with the Applied Biosystems group, for the development of Celera Diagnostics' diagnostics business. The Celera Genomics group will record all initial operating losses of Celera Diagnostics up to a maximum of \$300 million, after which any additional operating losses would be shared equally by the Celera Genomics group and the Applied Biosystems group. As an early stage business, the Celera Genomics group faces significant challenges in simultaneously expanding its operations, pursuing key scientific goals and attracting customers for its information products and services. As a result, there is a high degree of uncertainty that the Celera Genomics group will be able to achieve profitable operations.

**The Celera Genomics group's business plan depends heavily on continued assembly and annotation of the human and mouse genomes.**



In June 2000, the Celera Genomics group and the Human Genome Project each announced the "first assembly" of the human genome, and in April 2001, the Celera Genomics group announced the assembly of the mouse genome. Assembly is the process by which individual fragments of DNA, the molecule that forms the basis of the genetic material in virtually all living organisms, are pieced together into their appropriate order and place on each chromosome within the genome. The Celera Genomics group's first assembly of the human genome covered approximately 95% of that genome, and its assembly of the mouse genome covered approximately 99% of that genome. The Celera Genomics group intends to continue updating its assembly of the human and mouse genomes as it continues to annotate these genomes. Annotation is the process of assigning features or characteristics to each chromosome. Each gene on each chromosome is given a name, its structural features are described, and proteins encoded by genes are classified into possible or known function.

The Celera Genomics group's ability to retain its existing customers and attract new customers for its genome database business is heavily dependent upon the continued assembly and annotation of these genomes. This information is also essential to the therapeutics discovery and development components of the Celera Genomics group's business strategy in which the Celera Genomics group intends to make substantial investments in the near future. As a result, failure to update the assembly and annotation efforts in a timely manner may have a material adverse effect on the Celera Genomics group's business.

**The Celera Genomics group's revenue growth depends on retaining existing customers and adding new customers.**

The revenues that the Celera Genomics group expects to receive from its existing customers will offset only a portion of its expenses. In order to generate significant additional revenues, the Celera Genomics group must obtain additional customers and retain its existing customers. The Celera Genomics group's ability to retain existing customers and add new customers depends upon customers' continued belief that the Celera Genomics group's products can help accelerate their drug discovery and development efforts and fundamental discoveries in biology. Although customer agreements typically have multiple year terms, there can be no assurance that any will be renewed upon expiration. The Celera Genomics group's future revenues are also affected by the extent to which existing customers expand their agreements to include new services and database products. In some cases, the Celera Genomics group may accept milestone payments or future royalties on products developed by its customers as consideration for access to the Celera Genomics group's databases and products in lieu of a portion of subscription fees. These arrangements are unlikely to produce revenue for the Celera Genomics group for a number of years, if ever, and depend heavily on the research and product development, sales and marketing and intellectual property protection abilities of the customer.

**Use of genomics information to develop or commercialize products is unproven.**

The development of new drugs and the diagnosis of disease based on information derived from the study of the genetic material of organisms, or genomics, is unproven. Few therapeutic or diagnostic products based on genomic discoveries have been developed and commercialized and to date no one has developed or commercialized any therapeutic or diagnostic products based on the Celera Genomics group's technologies. If the Celera Genomics group or its customers are unsuccessful in developing and commercializing products based on the group's databases or other products or services, customers and the Celera Genomics group may be unable to generate sufficient revenues and the Celera Genomics group's business may suffer as a result. Development of these products will be subject to risks of failure, including that these products will be found to be toxic, be found to be ineffective, fail to receive regulatory approvals, fail to be developed prior to the successful marketing of similar products by competitors or infringe on proprietary rights of third parties.

**The industry in which the Celera Genomics group operates is intensely competitive and evolving.**

There is intense competition among entities attempting to interpret segments of the human genome and identify genes associated with specific diseases and develop products, services and intellectual property based on these discoveries. The Celera Genomics group faces competition in these areas from genomic, pharmaceutical, biotechnology and diagnostic companies, academic and research institutions and government or other publicly-funded agencies, both in the United States and abroad. A number of companies, other institutions and government-financed entities are engaged in gene and protein analysis, and some of them are developing databases containing gene, protein, and related biological information and are marketing or plan to market their data to pharmaceutical and biotechnology companies and academic and research institutions. Additional competitors may attempt to establish databases containing this information in the future. In addition, some pharmaceutical and biotechnology companies may choose to develop or acquire competing technologies to meet their needs rather than purchase products or services from the Celera Genomics group. The Celera Genomics group has licensed some of its key technology on a non-exclusive basis from third parties and therefore this technology may be available for license by competitors of the Celera Genomics group or pharmaceutical or biotechnology companies seeking to develop their own databases for their own use. Also, a customer of the Celera Genomics group may use the products or services of the Celera Genomics group to develop products or services that compete with products or services separately developed by the Celera Genomics group or its customers.

Competitors may also discover and characterize genes or proteins involved in disease processes, potential candidates for new therapeutics, drug discovery and development technologies, or drugs in advance of the Celera Genomics group or its customers, or which are more effective than those developed by the Celera Genomics group or its customers, or may obtain regulatory approvals of their drugs more rapidly than the Celera Genomics group or its customers do, any of which could have a material adverse effect on any of the similar programs of the Celera Genomics group or its customers. Moreover, these competitors may obtain patent protection or other intellectual property rights that would limit the Celera Genomics group's rights or its customers' ability to use the Celera Genomics group's products to commercialize therapeutic, diagnostic or agricultural products. In addition, a customer may use the Celera Genomics group's services to develop products that compete with products separately developed by the group or its other customers.

The Celera Genomics group also faces competition from software providers. A number of companies have announced their intent to develop and market software to assist pharmaceutical and biotechnology companies and academic researchers in managing and analyzing their own genomic data and publicly available data.

**The Celera Genomics group's current and potential customers are primarily from, and are subject to risks faced by, the pharmaceutical and biotechnology industries.**

The Celera Genomics group derives a substantial portion of its revenues from fees for its information products and services paid by pharmaceutical companies and biotechnology companies engaged in drug discovery and development. These fees accounted for approximately 70% of the Celera Genomics group's revenue in fiscal year 2001. The Celera Genomics group expects that these companies will continue to be the Celera Genomics group's primary source of revenues for the foreseeable future. As a result, the Celera Genomics group is subject to risks and uncertainties that affect the pharmaceutical and biotechnology industries and to reduction and delays in research and development expenditures by companies in these industries.

In addition, the Celera Genomics group's future revenues may be adversely affected by mergers and consolidation in the pharmaceutical and biotechnology industries, which may reduce the number of the group's existing and potential customers. Large pharmaceutical and biotechnology customers could also decide to conduct their own genomics programs or seek other providers instead of using the Celera Genomics group's products and services.

**The Celera Genomics group relies on its strategic relationship with the Applied Biosystems group.**

The Celera Genomics group believes that its strategic relationship with the Applied Biosystems group has provided it with a significant competitive advantage in its efforts to date to sequence the human and other genomes. The Applied Biosystems group leases instruments, sells consumables and project materials and provides research and development services to the Celera Genomics group. The Celera Genomics group paid the Applied Biosystems group \$17.3 million in fiscal year 1999, \$54.4 million in fiscal year 2000 and \$60.1 million in fiscal year 2001 for these products and services. The Celera Genomics group's continued development of its database business and successful extension of its business into therapeutics discovery and development will depend on the Applied Biosystems group's ability to continue to provide leading edge, proprietary technology and products, including advanced technologies for gene and protein analysis. If the Applied Biosystems group is unable to supply these technologies, the Celera Genomics group will need to obtain access to alternative technologies, which may not be available, or may only be available on unfavorable terms. Any change in the relationship with the Applied Biosystems group that adversely affects the Celera Genomics group's access to the Applied Biosystems group's technology or failure by the Applied Biosystems group to continue to develop new technologies or protect its proprietary technology could adversely affect the Celera Genomics group's business.

**Introduction of new products may expose the Celera Genomics group to product liability claims.**

New products developed by the Celera Genomics group could expose the Celera Genomics group to potential product liability risks that are inherent in the testing, manufacturing and marketing of human therapeutic and diagnostic products. Product liability claims or product recalls, regardless of the ultimate outcome, could require the Celera Genomics group to spend significant time and money in litigation and to pay significant damages.

**The Celera Genomics group could incur liabilities relating to hazardous materials that it uses in its research and development activities.**

The Celera Genomics group's research and development activities involve the controlled use of hazardous materials, chemicals and various radioactive materials. In the event of an accidental contamination or injury from these materials, the Celera Genomics group could be held liable for damages in excess of its resources.

**The Celera Genomics group's sales cycle is lengthy and it may spend considerable resources on unsuccessful sales efforts or may not be able to complete deals on the schedule anticipated.**

The Celera Genomics group's sales cycle is typically lengthy because the group needs to educate potential customers and sell the benefits of its products and services to a variety of constituencies within those companies. In addition, each agreement involves the negotiation of unique terms. The Celera Genomics group's ability to obtain new customers for genomic information products, collaborative services, and licenses to intellectual property depends on its customers' belief that the Celera Genomics group can help accelerate their drug discovery efforts. The Celera Genomics group may expend substantial funds and management effort with no assurance that an agreement will be reached with a potential customer. Actual and proposed consolidations of pharmaceutical and biotechnology companies have affected and may in the future affect the timing and progress of the Celera Genomics group's sales efforts.

**Scientific and management staff has unique expertise which is key to the Celera Genomics group's commercial viability and which would be difficult to replace.**

The Celera Genomics group is highly dependent on the principal members of its scientific and management staff, particularly J. Craig Venter, its President and Chief Scientific Officer. Additional members of the Celera Genomics group's medical, scientific and information technology staff are important to the implementation of its business plan. The loss of any of these persons' expertise would be difficult to replace and could have a material adverse effect on the Celera Genomics group's ability to achieve its goals.

**The Celera Genomics group's competitive position may depend on patent and copyright protection and licenses to the important intellectual property patented by others, which may not be sufficiently available.**

The Celera Genomics group's ability to compete and to achieve profitability may be affected by its ability to protect its proprietary technology and other intellectual property. While the Celera Genomics group's business is currently primarily dependent on revenues from access fees to its on-line information system, the Celera Genomics group expects that obtaining patent protection may become increasingly important to its business as it moves beyond the on-line database business. The Celera Genomics group would be able to prevent competitors from making, using or selling any of its technology for which it obtains a patent. However, patent law affecting the Celera Genomics group's business, particularly gene sequences, gene function and genetic variations, or polymorphisms, is uncertain. As a result, the Celera Genomics group is uncertain as to its ability to obtain intellectual property protection covering its information discoveries sufficient to prevent competitors from developing similar subject matter. The United States Patent and Trademark Office has recently adopted new guidelines for use in the review of the utility of inventions, particularly biotechnology inventions.

These guidelines increased the amount of evidence required to illustrate utility in order to obtain a patent in the biotechnology field, making patent protection more difficult to obtain. Although others have been successful in obtaining patents to biotechnology inventions, since the adoption of these guidelines these patents have been issued with increasingly less frequency. As a result, patents may not issue from patent applications that the Celera Genomics group may own or license if the applicant is unable to satisfy the new guidelines. In addition, because patent applications in the United States are maintained in secrecy until patents issue, third parties may have filed patent applications for technology used by the Celera Genomics group or covered by the Celera Genomics group's pending patent applications without the Celera Genomics group being aware of those applications.

The United States Patent and Trademark Office has issued several patents to third parties covering inventions involving single nucleotide polymorphisms (SNPs), naturally occurring genetic variations that scientists believe can be correlated with susceptibility to disease, disease prognosis, drug efficiency, and drug toxicity. These inventions are subject to the same new guidelines as other biotechnology inventions. In addition, the Celera Genomics group may need to obtain rights to patented SNPs in order to develop, use and sell analyses of the overall human genome or particular full-length genes. These licenses may not be available to the Celera Genomics group on commercially acceptable terms, or at all.

Moreover, the Celera Genomics group may be dependent on protecting, through copyright law or otherwise, its databases to prevent other organizations from taking information from those databases and copying and reselling it. Copyright law currently provides uncertain protection regarding the copying and resale of factual data. As such, the Celera Genomics group is uncertain whether it could prevent that copying or resale. Changes in copyright and patent law could either expand or reduce the extent to which the Celera Genomics group and its customers are able to protect their intellectual property.

**The Celera Genomics group's position may depend on its ability to protect trade secrets.**

The Celera Genomics group relies on trade secret protection for its confidential and proprietary information and procedures, including procedures related to sequencing genes and to searching and identifying important regions of genetic information. The Celera Genomics group currently protects its information and procedures as trade secrets. The Celera Genomics group protects its trade secrets through recognized practices, including access control, confidentiality and nonuse agreements with employees, consultants, collaborators, and customers, and other security measures. These confidentiality and nonuse agreements may be breached, however, and the Celera Genomics group may not have adequate remedies for a breach. In addition, the Celera Genomics group's trade secrets may otherwise become known or be independently developed by competitors.

**Public disclosure of genomics sequence data could jeopardize the Celera Genomics group's intellectual property protection and have an adverse effect on the value of its products and services.**

The Celera Genomics group, the federally funded Human Genome Project and others engaged in similar research have made and are expected to continue making available to the public basic human sequence data. These disclosures might limit the scope of the Celera Genomics group's claims or make subsequent discoveries related to full-length genes and proteins unpatentable. While the Celera Genomics group believes that the publication of sequence data will not preclude it or others from being granted patent protection on genes and proteins, there can be no assurance that the publication has not affected and will not affect the ability to obtain patent protection. Customers may conclude that uncertainties of that protection and the fact that the basic human sequence data is available for free decrease the value of the Celera Genomics group's information products and services and as a result, it may be required to reduce the fees it charges for its products and services.

**The Celera Genomics group may infringe the intellectual property rights of third parties and may become involved in expensive intellectual property litigation.**

The intellectual property rights of biotechnology companies, including the Celera Genomics group, are generally uncertain and involve complex legal, scientific and factual questions. The Celera Genomics group's success in the therapeutics discovery and development fields may depend, in part, on its ability to operate without infringing on the intellectual property rights of others and to prevent others from infringing on its intellectual property rights.

There has been substantial litigation regarding patents and other intellectual property rights in the genomics industry. The Celera Genomics group may become a party to patent litigation or proceedings at the United States Patent and Trademark Office to determine its patent rights with respect to third parties, which may include subscribers to the Celera Genomics group's database information services. Interference proceedings may be necessary to establish which party was the first to discover the intellectual property. The Celera Genomics group may become involved in patent litigation against third parties to enforce the Celera Genomics group's patent rights, to invalidate patents held by the third parties, or to defend against these claims. The cost to the Celera Genomics group of any patent litigation or similar proceeding could be substantial, and it may absorb significant management time. If an infringement litigation against the Celera Genomics group is resolved unfavorably to the Celera Genomics group, the Celera Genomics group may be enjoined from manufacturing or selling its products or services without a license from a third party. The Celera Genomics group may not be able to obtain a license on commercially acceptable terms, or at all.

**The Celera Genomics group's business is dependent on the continuous, effective, reliable and secure operation of its computer hardware, software and Internet applications and related tools and functions.**

Because the Celera Genomics group's business requires manipulating and analyzing large amounts of data, and communicating the results of the analysis to its internal research personnel and to its customers via the Internet, the Celera Genomics group depends on the continuous, effective, reliable and secure operation of its computer hardware, software, networks, Internet servers and related infrastructure. To the extent that the Celera Genomics group's hardware or software malfunctions or access to the Celera Genomics group's data by the Celera Genomics group's internal research personnel or customers through the Internet is interrupted, its business could suffer.

The Celera Genomics group's 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, and similar events. In addition, the Celera Genomics group's database products 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 the Celera Genomics group fails to maintain and further develop the necessary computer capacity and data to support its computational needs and its customers' drug discovery efforts, it could result in loss of or delay in revenues and market acceptance. In addition, any sustained disruption in Internet access provided by third parties could adversely impact the Celera Genomics group's business.

**The Celera Genomics group's research and product development depends on access to tissue samples and other biological materials.**

The Celera Genomics group will need access to normal and diseased human and other tissue samples, other biological materials and related clinical and other information, which may be in limited supply. The Celera Genomics group may not be able to obtain or maintain access to these materials and information on acceptable terms. In addition, government regulation in the United States and foreign countries could result in restricted access to, or use of, human and other tissue samples. If the Celera Genomics group loses access to sufficient numbers or sources of tissue samples, or if tighter

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restrictions are imposed on its use of the information generated from tissue samples, its business may be harmed.

**Ethical, legal and social issues related to the use of genetic information and genetic testing may cause less demand for the Celera Genomics group's products.**

Genetic testing has raised issues regarding confidentiality and the appropriate uses of the resulting information. For example, concerns have been expressed towards insurance carriers and employers using these tests to discriminate on the basis of this information, resulting in barriers to the acceptance of these tests by consumers. This could lead to governmental authorities calling for limits on or regulation of the use of genetic testing or prohibiting testing for genetic predisposition to certain diseases, particularly those that have no known cure. Any of these scenarios could reduce the potential markets for products of the Celera Genomics group.

**Expected rapid growth in the number of its employees could absorb valuable management resources and be disruptive to the development of the Celera Genomics group's business.**

The Celera Genomics group expects to increase its employee base significantly, including the addition of Axys' employees. This growth will require substantial effort to hire new employees and train and integrate them in the Celera Genomics group's business and to develop and implement management information systems, financial controls and facility plans. The Celera Genomics group's inability to manage growth effectively would have a material adverse effect on its future operating results.

**Products and services developed using Celera Genomics group's databases, and the therapeutic discovery and development business of the Celera Genomics group, may be subject to government regulation.**

The Celera Genomics group and its pharmaceutical and biotechnology customers use the Celera Genomics group's databases for drug discovery and development, which is subject to regulation by the United States Food and Drug Administration. Any new drug developed must undergo an extensive regulatory review and approval process. This process can take many years and require substantial expense. The Celera Genomics group and its customers may also use its databases to develop products or services in the field of personalized health/medicine. However, current and future patient privacy and health care laws and regulations issued by the United States Food and Drug Administration may limit the use of data concerning an individual's genetic information. To the extent that such regulations restrict or discourage the Celera Genomics group or its customers from developing these products and services, the Celera Genomics group's business may be adversely affected.

**Future acquisitions and other transactions may absorb significant resources, may be unsuccessful and could dilute the holders of Applera Celera stock.**

As part of the Celera Genomics group's strategy, it expects to pursue acquisitions (in addition to the Axys acquisition), investments and other strategic relationships and alliances. Acquisitions, investments and other strategic relationships and alliances may involve significant cash expenditures, debt incurrence, additional operating losses, and expenses that could have a material effect on the Celera Genomics group's financial condition and results of operations. Acquisitions involve numerous other risks, including:

difficulties integrating acquired technologies and personnel into the business of the Celera Genomics group;

diversion of management from daily operations;

inability to obtain required financing on favorable terms;

entry into new markets in which the Celera Genomics group has little previous experience;

potential loss of key employees or customers of acquired companies or of the Celera Genomics group; and

assumption of the liabilities and exposure to unforeseen liabilities of acquired companies.

It may be difficult for the Celera Genomics group to complete these transactions quickly and to integrate these businesses efficiently into its current business. Any acquisitions, investments or other strategic relationships and alliances by the Celera Genomics group may ultimately have a negative impact on its business and financial condition. For example, future acquisitions may not be as successful as originally anticipated and may result in special charges, such as the charges for impairment of Paracel goodwill and intangibles in the amount of \$69.1 million and for the Molecular Informatics business in the amount of \$14.5 million.

In addition, acquisitions and other transactions may involve the issuance of a substantial amount of Applera Celera stock without the approval of the holders of Applera Celera stock. Any issuances of this nature will be dilutive to holders of Applera Celera stock.

**Applera Celera stock price is highly volatile.**

The market price of Applera Celera stock has been and may continue to be highly volatile due to the risks and uncertainties described in this section of this proxy statement/prospectus, 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 the Celera Genomics group's 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 biotechnology companies, or the Celera Genomics group's failure 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. In the past, companies that have experienced volatility have sometimes been the subject of securities class action litigation. If litigation was instituted on this basis, it could result in substantial costs and a diversion of management's attention and resources.

**Applera is subject to a purported class action lawsuit relating to its 2000 offering of shares of Applera Celera stock that may be expensive and time consuming.**

Applera and some of its officers have been served in five lawsuits purportedly on behalf of purchasers of Applera Celera stock in Applera's follow-on public offering of Applera Celera stock completed on March 6, 2000. In the offering, Applera sold an aggregate of approximately 4.4 million shares of Applera Celera stock at a public offering price of \$225 per share. All of these lawsuits have been consolidated into a single case 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 United States and the United Kingdom, to providing patent protection to Applera's genomic-based products. Although the Celera Genomics group has never sought, or intended to seek, a patent on the basic human genome sequence data, the complaint also alleges that Applera did not adequately disclose the risk that it would not be able to patent this data. The consolidated complaint seeks unspecified money damages, rescission, costs and expenses, and other relief as the court deems proper. Although Applera believes the asserted claims are without merit and intends to defend the case vigorously, the outcome of this or any other litigation is inherently uncertain. The defense of this case will require management attention and resources.

**The Celera Genomics group's ability to develop proprietary therapeutics and the Celera Genomics/Applied Biosystems Joint Venture's ability to develop proprietary diagnostic products is unproven.**

The development and commercialization of new drugs by determining the causes of diseases through the study of genes, variations in genes, and the proteins expressed by genes is unproven. As the Celera Genomics group expands its efforts into this new business area, it faces the difficulties inherent in developing and commercializing therapeutic products, and it has limited experience in operating a commercial research and development program. In addition, Applera has announced the formation of Celera Diagnostics, a joint venture between the Applied Biosystems group and the Celera Genomics group in the field of diagnostics. Celera Diagnostics faces the difficulties inherent in developing and commercializing diagnostic tests and in building and operating a commercial research and development program. Given the Celera Genomics group's unproven ability to develop proprietary therapeutics and Celera Diagnostics' unproven ability to develop proprietary diagnostic products, it is possible that the Celera Genomics group's and Celera Diagnostics' discovery processes will not result in any commercial products or services. Even if the Celera Genomics group or Celera Diagnostics is able to develop products and services, it is possible that these products and services may not be commercially viable or successful due to a variety of reasons, including difficulty obtaining regulatory approvals, competitive conditions, the inability to obtain necessary intellectual property protection, the need to build distribution channels, failure to get adequate reimbursement for these products from insurance or government payors, or the inability of the Celera Genomics group or Celera Diagnostics to recover its development costs in a reasonable period.

**Risks Related to a Capital Structure with Two Separate Classes of Common Stock**

**You will be stockholders of Applera and, therefore, financial effects on either the Celera Genomics group or the Applied Biosystems group could adversely affect the other.**

The Celera Genomics group and the Applied Biosystems group are not separate legal entities. As a result, stockholders will continue to be subject to all of the risks of an investment in Applera, including the Applied Biosystems group. The risks and uncertainties that may affect the operations, performance, development, and results of the Applied Biosystems group's businesses are described below. The assets attributed to the Celera Genomics group could be subject to the liabilities of the Applied Biosystems group, even if these liabilities arise from lawsuits, contracts or indebtedness that are attributed to the Applied Biosystems group. If Applera is unable to satisfy the Applied Biosystems group's liabilities out of the assets attributed to that group, Applera may be required to satisfy those liabilities with assets attributed to the Celera Genomics group.

Financial effects from the Applied Biosystems group that affect Applera's consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the Celera Genomics group and the market price of Applera Celera stock. In addition, net losses of the Applied Biosystems group and dividends or distributions on, or repurchases of, Applera Applied Biosystems stock or repurchases of preferred stock will reduce the funds Applera can pay as dividends on Applera Celera stock under Delaware law. For these reasons, you should read Applera's consolidated financial information with the financial information it provides for each group.

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**The market price of Applera Celera stock may not reflect the separate performance of the Celera Genomics group business.**

The market price of Applera Celera stock may not reflect the separate performance of the Celera Genomics group business. The market price of Applera Celera stock could simply reflect the performance of Applera as a whole, or the market price of Applera Celera stock could move independently of the performance of our Celera Genomics group business. Investors may discount the value of Applera Celera stock because it is part of a common enterprise rather than a stand-alone company.

**The market price of Applera Celera stock may be affected by factors that do not affect traditional common stock.**

**The complex nature of the terms of Applera Celera stock may adversely affect the market price of Applera Celera stock.** The complex nature of the terms of Applera Celera stock, such as the convertibility of Applera Celera stock into Applera Applied Biosystems stock or vice versa, and the potential difficulties investors may have understanding these terms, may adversely affect the market price of Applera Celera stock.

**The market price of Applera Celera stock may be adversely affected by the fact that holders have limited legal interests in the Celera Genomics group as a separate legal entity.** For example, as described in greater detail in the subsequent risk factors, holders of Applera Celera stock generally do not have separate class voting rights with respect to significant matters affecting the Celera Genomics group. In addition, upon a liquidation or dissolution of Applera, holders of Applera Celera stock will not have specific rights to the assets of the Celera Genomics group and will not be entitled to receive proceeds that are proportional to the relative performance of the Celera Genomics group.

**The market price of Applera Celera stock may be adversely affected by events involving the Applied Biosystems group or the performance of Applera Applied Biosystems stock.** Events, such as earnings announcements or other developments concerning the Applied Biosystems group that the market does not view favorably and which thus adversely affect the market price of Applera Applied Biosystems stock, may adversely affect the market price of Applera Celera stock. Because both classes are common stock of Applera, an adverse market reaction to Applied Biosystems stock may, by association, cause an adverse reaction to Applera Celera stock. This reaction may occur even if the triggering event was not material to Applera as a whole.

**Limits exist on the voting power of group common stock.**

**Applera Celera stock may not have any influence on the outcome of stockholder voting.** Applera Applied Biosystems stock currently has a substantial majority of the voting power of the common stock of Applera and had approximately 74.7% of the voting power as of August 24, 2001, the record date for Applera's 2001 annual meeting of stockholders. Except in limited circumstances where there is separate class voting, the relative voting power of the two classes of common stock fluctuates based on their relative market values. Therefore, except in cases of separate class voting, either class of common stock that is entitled to more than the number of votes required to approve any stockholder action could control the outcome of the vote even if the matter involves a divergence or conflict of the interests of the holders of Applera Celera stock and Applera Applied Biosystems stock. These matters may include mergers and other extraordinary transactions.

**A class of group common stock with less than majority voting power can block action if a class vote is required.** If Delaware law, stock exchange rules or the Applera board of directors

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requires a separate vote on a matter by the holders of either Applera Celera stock or Applera Applied Biosystems stock, those holders could prevent approval of the matter even if the holders of a majority of the total number of votes cast or entitled to be cast, voting together as a class, were to vote in favor of it. As a result, in cases where Applera Celera stockholders and Applera Applied Biosystems stockholders vote as separate classes on a proposal, the affirmative vote of shares representing a majority of the Applera Celera stock will not prevent the Applera Applied Biosystems stockholders from defeating the proposal.

**Holders of Applera Celera stock cannot ensure that their voting power will be sufficient to protect their interests.** Since the relative voting power per share of Applera Celera stock and Applera Applied Biosystems stock will fluctuate based on the market values of the two classes of common stock, the relative voting power of Applera Celera stock could decrease. As a result, holders of shares of Applera Celera stock cannot ensure that their voting power will be sufficient to protect their interests.

**You will not have some of the stockholder rights traditionally associated with common stock.** The Celera Genomics group will not have a separate board of directors to represent solely your interests as holders of Applera Celera stock. Consequently, there will be no board of directors that owes any separate duties to you. Applera's board of directors will act in accordance with its good faith business judgment of the best interests of Applera, taking into consideration the interests of all common stockholders regardless of class or series, which may be detrimental to you.

**Stockholders may not have any remedies for breach of fiduciary duties if any action by directors and officers has a disadvantageous effect on either class of common stock.**

Stockholders may not have any remedies if any action or decision of Applera's board of directors or officers has a disadvantageous effect on Applera Celera stock or Applera Applied Biosystems stock compared to the other class of common stock. Cases in Delaware involving tracking stocks have established that decisions by directors or officers involving differing treatment of tracking stocks are judged under the principle known as "the business judgment rule" unless self-interest is shown.

In addition, principles of Delaware law established in cases involving differing treatment of two classes of common stock or two groups of holders of the same class of common stock provide that a board of directors owes an equal duty to all stockholders regardless of class or series. Absent abuse of discretion, a good faith business decision made by a disinterested and adequately informed board of directors, board of directors' committee or officer of Applera with respect to any matter having different effects on holders of Applera Celera stock and holders of



Applera Applied Biosystems stock would be a defense to any challenge to the determination made by or on behalf of the holders of either class of common stock.

**Stock ownership could cause directors and officers to favor one group over the other.**

As a policy, Applera's board of directors periodically monitors the ownership of shares of Applera Celera stock and shares of Applera Applied Biosystems stock by Applera's directors and senior officers as well as their option holdings and other benefits so that their interests are not misaligned with the two classes of common stock and with their duty to act in the best interests of Applera and its stockholders as a whole. However, because the actual stock market value of their interests in Applera Celera stock and Applera Applied Biosystems stock could vary significantly, it is possible that they could favor one group over the other as a result of their common stock holdings, options and other benefits. As of October 1, 2001, Applera's directors and senior officers held shares of Applera Celera stock and shares of Applera Applied Biosystems stock representing approximately equal percentages of the total shares outstanding of Applera Celera stock and Applera Applied

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Biosystems stock. The stock market value of these shares will vary with fluctuations in the market price of Applera Celera stock and Applera Applied Biosystems stock. However, the market capitalization of the Applied Biosystems group is substantially greater than that of the Celera Genomics group and, therefore, the market value of the Applera Applied Biosystems stock held by Applera's directors and senior officers was significantly higher than the market value of the Applera Celera stock held by them on that date.

**Numerous potential conflicts of interest exist between the classes of common stock that may be difficult to resolve by Applera's board or may be resolved adversely to one of the classes.**

**Allocation of corporate opportunities could favor one group over the other.** Applera's board of directors may be required to allocate corporate opportunities between the groups. In some cases, Applera's directors could determine that a corporate opportunity, such as a business that it is acquiring or a new business, should be shared by the groups or be allocated to one group over the other. Any decisions could favor one group to the detriment of the other.

**The groups may compete with each other to the detriment of their businesses.** The existence of two separate classes of common stock will not prevent the Applied Biosystems group and the Celera Genomics group from competing with each other. Any competition between the groups could be detrimental to businesses of either or both of the groups. Under a board of directors' policy, the groups will generally not engage in the principal businesses of the other, except for joint transactions with each other. However, Applera's Chief Executive Officer or board of directors will permit indirect competition between the groups, such as one group doing business with a competitor of the other group, based on his or its good faith business judgment that the competition is in the best interests of Applera and all of Applera's stockholders as a whole. In addition, the groups may compete in a business that is not a principal business of the other group.

**Applera's board of directors may pay more or less dividends on group common stock than if that group were a separate company.** Subject to the limitations referred to below, Applera's board of directors has the authority to declare and pay dividends on Applera Celera stock and Applera Applied Biosystems stock in any amount and could, in its sole discretion, declare and pay dividends exclusively on Applera Celera stock, exclusively on Applera Applied Biosystems stock, or on both, in equal or unequal amounts. Applera's board of directors is not required to consider the amount of dividends previously declared on each class, the respective voting or liquidation rights of each class or any other factor. The performance of one group may cause Applera's board of directors to pay more or less dividends on the common stock relating to the other group than if that other group were a stand-alone company. In addition, Delaware law and Applera's certificate of incorporation impose limitations on the amount of dividends that may be paid on each class of common stock.

**Proceeds of mergers or consolidations may be allocated unfavorably.** Applera's board of directors will determine how consideration to be received by holders of common stock in connection with a merger or consolidation involving Applera is to be allocated among holders of each class of common stock. This percentage may be materially more or less than that which might have been allocated to the holders had Applera's board of directors chosen a different method of allocation.

**Holders of either class of common stock may be adversely affected by a conversion of group common stock.** Applera's board of directors could, in its sole discretion and without stockholder approval, determine to convert shares of

Applera Applied Biosystems stock into shares of Applera Celera stock, or vice versa, at any time, including when either or both classes of common stock may be considered to be overvalued or undervalued. If Applera's board of

directors chose to issue Applera Celera stock in exchange for Applera Applied Biosystems stock, the conversion would dilute the interests in Applera of the holders of Applera Celera stock. If the board of directors were to choose to issue Applera Celera stock in exchange for Applera Applied Biosystems stock, or vice versa, the conversion could give holders of shares of the class of common stock being converted a greater or lesser premium than any premium that was paid or might be paid by a third-party buyer of all or substantially all of the assets of the group whose stock is converted.

**Cash proceeds of newly issued Applera Celera stock in the future could be allocated to the Applied Biosystems group.** If and to the extent the Applied Biosystems group holds "Applera Celera Genomics Designated Shares" at the time of any future sale of Applera Celera stock, Applera's board of directors could allocate some or all of the proceeds of that sale to the Applied Biosystems group in consideration of a reduction in the number of these shares. Applera Celera Genomics Designated Shares are a type of authorized shares of Applera Celera stock that is described under "Description of Applera Capital Stock" in this proxy statement/prospectus. Any decision could favor one group over the other group. For example, the decision to allocate the proceeds of that sale to the Applied Biosystems group could adversely affect the Celera Genomics group's ability to obtain funds to finance its growth strategies. The Applied Biosystems group does not currently hold any Applera Celera Genomics Designated Shares. Applera Celera Genomics Designated Shares could be issued in the future if Applera's board of directors determines that the Celera Genomics group requires additional capital to finance its business and that the Applied Biosystems group should supply that capital.

**Applera's board of directors may change its management and allocation policies without stockholder approval to the detriment of either group.**

Applera's board of directors may modify or rescind Applera's policies with respect to the allocation of corporate overhead, taxes, debt, interest and other matters, or may adopt additional policies, in its sole discretion without stockholder approval. A decision to modify or rescind these policies, or adopt additional policies, could have different effects on holders of Applera Celera stock and holders of Applera Applied Biosystems stock or could result in a benefit or detriment to one class of stockholders compared to the other class. Applera's board of directors will make any decision in accordance with its good faith business judgment that the decision is in the best interests of Applera and all of its stockholders as a whole.

**Either the Celera Genomics group or the Applied Biosystems group may finance the other group on terms unfavorable to either group.**

From time to time, Applera anticipates that it will transfer cash and other property between groups to finance their business activities. When this occurs, the group providing the financing will be subject to the risks relating to the group receiving the financing. Applera will account for those transfers in one of the following ways:

as a reallocation of pooled debt or preferred stock;

as a short-term or long-term loan between groups or as a repayment of a previous borrowing;

as an increase or decrease in Applera Celera Genomics Designated Shares; or

as a sale of assets between groups.

Applera's board of directors has not adopted specific criteria for determining when it will account for the transfer of cash or other property as a reallocation of pooled debt or preferred stock, a loan or repayment, an increase or decrease in Applera Celera Genomics Designated Shares or a sale of

assets. These determinations, including the terms of any transactions accounted for as debt, may be unfavorable to either the group transferring or receiving the cash or other property. Applera's board of directors expects to make these determinations, either in specific instances or by setting generally applicable policies, after considering the financing requirements and objectives of the receiving group, the investment objectives of the transferring group and the availability, cost and time associated with alternative financing sources, prevailing interest rates and general economic conditions.

Applera cannot assure you that any terms that it fixes for debt will approximate those that could have been obtained by the borrowing group if it were a stand-alone company.

**The Celera Genomics group could incur a higher tax liability than if it were a stand-alone taxpayer.**

The Applera tax allocation policy provides that some tax benefits that cannot be used by the group generating those benefits but can be used on a consolidated basis are to be transferred, without reimbursement, to the group that can use the benefits. Any tax benefits that are transferred from the Celera Genomics group to the Applied Biosystems group will not be carried forward to reduce the Celera Genomics group's future tax liability. Accordingly, future use by the Applied Biosystems group, without reimbursement, of tax benefits generated by the Celera Genomics group will result in the Celera Genomics group paying a greater portion of the total corporate tax liability than would have been the case if the Celera Genomics group were a stand-alone taxpayer.

**Holders of Applera Celera stock may receive less consideration upon a sale of assets than if the Celera Genomics group were a separate company.**

Applera's certificate of incorporation provides that if a disposition of all or substantially all of the assets of the Celera Genomics group occurs, Applera must, subject to certain exceptions:

distribute to holders of Applera Celera stock an amount equal to the net proceeds of the disposition; or

convert at a 10% premium shares of Applera Celera stock into shares of Applera Applied Biosystems stock.

If the Celera Genomics group were a separate, independent company and its shares were acquired by another person, some of the costs of that disposition, including corporate level taxes, might not be payable in connection with that acquisition. As a result, stockholders of the Celera Genomics group as a stand-alone company might receive a greater amount than the net proceeds that would be received by holders of Applera Celera stock if the assets of the Celera Genomics group were sold and the proceeds distributed to Applera Celera stockholders. In addition, Applera cannot assure you that the net proceeds per share of Applera Celera stock will be equal to or more than the market value per share of Applera Celera stock prior to or after announcement of a disposition.

**Applera's capital structure and variable vote per share may discourage acquisitions of the Celera Genomics group or Applera Celera stock.**

A potential acquiror could acquire control of Applera by acquiring shares of common stock having a majority of the voting power of all shares of common stock outstanding. This majority could be obtained by acquiring a sufficient number of shares of both classes of common stock or, if one class of common stock has a majority of the voting power, only shares of that class since the relative aggregate voting power of the two classes of common stock fluctuates based on their relative aggregate market values. Currently, Applera Applied Biosystems stock has a substantial majority of the voting power. As a result, it might be possible for an acquiror to obtain control by purchasing only shares of Applera Applied Biosystems stock.

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**Decisions by Applera's board of directors and officers that affect market values could adversely affect voting and conversion rights.**

The relative voting power per share of each class of common stock and the number of shares of one class of common stock issuable upon the conversion of the other class of common stock will vary depending upon the relative market values of Applera Celera stock and Applera Applied Biosystems stock. The market value of either or both classes of common stock could be adversely affected by market reaction to decisions by Applera's board of directors or Applera's management that investors perceive as affecting differently one class of common stock compared to the other. These decisions could involve changes to Applera's management and allocation policies, transfers of assets between groups, allocations of corporate opportunities and financing resources between groups and changes in dividend policies.

**Provisions governing common stock could discourage a change of control and the payment of a premium for stockholders' shares.**

Applera's stockholder rights plan could prevent stockholders from profiting from an increase in the market value of their shares as a result of a change in control of Applera by delaying or preventing a change in control. The existence of two classes of common stock could also present complexities and may pose obstacles, financial and otherwise, to an acquiring person. In addition, provisions of Delaware law and Applera's certificate of incorporation and bylaws may also deter hostile takeover attempts.

**Legislative proposals could have adverse tax consequences for Applera and holders of Applera Celera stock and Applera Applied Biosystems stock.**

The Clinton Administration Budget Proposals in 1999 and 2000 proposed legislation that would have adversely affected holders of tracking stock such as Applera Celera stock and Applera Applied Biosystems stock. The 1999 proposal would have required corporate-level gain recognition on the issuance of tracking stock, while the 2000 proposal would have required that the stockholders of the issuing corporation be taxed upon the receipt of tracking stock in specified circumstances. Although Congress did not act on either proposal and the recent Bush Administration Budget Proposal does not contain a similar provision, it is impossible to predict whether any proposals relating to tracking stock will be made in the future, and to what extent Congress would act upon any proposals.

Applera may convert Applera Celera stock or Applera Applied Biosystems stock into shares of the other class without any premium if, based on the legal opinion of its tax counsel, it is more likely than not as a result of the enactment of legislative changes or administrative proposals or changes that Applera or its stockholders will be subject to tax upon issuance of Applera Celera stock or Applera Applied Biosystems stock or that the stock will not be treated as stock of Applera.

**Risks Related to the Applied Biosystems Group**

**Rapidly changing technology in life sciences could make the Applied Biosystems group's product line obsolete unless it continues to improve existing products, develop new products, and pursue new market opportunities.**

A significant portion of the net revenues for the Applied Biosystems group each year is derived from products that did not exist in the prior year. The Applied Biosystems group's future success depends on its ability to continually improve its current products, develop and introduce, on a timely and cost-effective basis, new products 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. The Applied Biosystems group's products are based on complex technology which is subject to rapid change as new technologies are developed and introduced in the marketplace. Unanticipated difficulties or delays in replacing existing products with new products could adversely affect the Applied

Biosystems group's future operating results. The pursuit of new market opportunities will add further complexity and require additional management attention and resources as these markets are addressed.

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

A significant portion of the Applied Biosystems group's instrument product sales are capital purchases by its customers. The Applied Biosystems group's 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 the Applied Biosystems group's 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 the Applied Biosystems group's products.

**A substantial portion of the Applied Biosystems group's sales is to customers at universities or research laboratories whose funding is dependent on both the level 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. Although research funding has increased during the past several years, grants have, in the past, 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 the Applied Biosystems group's products were to become unavailable to researchers for any extended period of time, or if overall research funding were to decrease, the business of the Applied Biosystems group could be adversely affected.

**The Applied Biosystems group is currently and could in the future be subject to claims for infringement of patents and other intellectual property rights.**

The Applied Biosystems group's products are based on complex, rapidly developing technologies. These products could be developed without knowledge of previously filed but unpublished patent applications that cover some aspect of these technologies. In addition, there are relatively few decided court cases interpreting the scope of patent claims in these technologies, and the Applied Biosystems group's belief that its products do not infringe the technology covered by valid patents could be successfully challenged by third parties. Also, in the course of its business, the Applied Biosystems group may from time to time have access to confidential or proprietary information of third parties, and these parties could bring a theft of trade secret claim against the Applied Biosystems group asserting that the Applied Biosystems group's products improperly use technologies which are not patented but which are protected as trade secrets. The Applied Biosystems group has been made a party to litigation regarding intellectual property matters, including the patent litigation described in the next paragraph, some of which, if determined adversely, could have a material adverse effect on the Applied Biosystems group. Due to the fact that the Applied Biosystems group's business depends in large part on rapidly developing and dynamic technologies, there remains a constant risk of intellectual property litigation affecting the group. The Applied Biosystems group has from time to time been notified that it may be infringing patents and other intellectual property rights of others. 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 the Applied Biosystems group cannot be assured that it will be able to obtain these licenses or other rights on commercially reasonable terms.

Applera is currently subject to patent litigation with Amersham Pharmacia Biotech, Inc. and Molecular Dynamics, Inc. In the litigation, Amersham and Molecular Dynamics allege that the Applied Biosystems group has infringed four Amersham patents as a result of the Applied Biosystems group's sale of DNA sequencing instrumentations and reagents. Also in the litigation, Applera has brought suit against Amersham and Molecular Dynamics alleging that they have infringed two of Applera's patents as a result of their sale of their DNA sequencing instrumentations and reagents. At present, these lawsuits are not scheduled for trial. The sale of DNA sequencing instrumentation and reagents is an important part of the Applied Biosystems group's business. If these lawsuits proceed to trial, the cost of the litigation, and the amount of management time that will be devoted to the litigation, will be significant. There can be no assurance that this litigation will be resolved favorably to Applera or either the Celera Genomics group or the Applied Biosystems group, that Applera and both of its groups will not be enjoined from selling the products in question or other products as a result, or that any monetary or other damages assessed against Applera will not have a material adverse effect on the financial condition of Applera, the Celera Genomics group, or the Applied Biosystems group.

**Since the Applied Biosystems group's business is dependent on foreign sales, fluctuating currencies will make revenues and operating results more volatile.**

Approximately 50% of the Applied Biosystems group's net revenues during fiscal 2001 were derived from sales to customers outside of the United States. The majority of these sales were based on the relevant customer's local currency. A significant portion of the related costs for the Applied Biosystems group are based on the U.S. dollar. As a result, the Applied Biosystems group's reported and anticipated operating results and cash flows are subject to fluctuations due to material changes in foreign currency exchange rates that are beyond the Applied Biosystems group's control.

**Integrating acquired technologies may be costly and may not result in technological advances.**

The future growth of the Applied Biosystems group depends in part on its ability to acquire complementary technologies through acquisitions and investments. The consolidation of employees, operations, and marketing and distribution methods could present significant managerial challenges. For example, the Applied Biosystems group may encounter operational difficulties in the integration of manufacturing or other facilities. In addition, technological advances resulting from the integration of technologies may not be achieved as successfully or rapidly as anticipated, if at all.

**Electricity shortages and earthquakes could disrupt operations in California.**

The headquarters and principal operations of the Applied Biosystems group are located in Foster City, California. The State of California and its principal electrical utility companies have recently indicated that there is a statewide electricity shortage and that these utility companies are in poor financial condition. As a result, California has experienced temporary localized electricity outages, or rolling blackouts, which may continue or worsen into blackouts of longer duration in the future. Blackouts in Foster City, even of modest duration, could impair or cause a temporary suspension of the group's operations, including the manufacturing and shipment of new products. Power disruptions of an extended duration or high frequency could have a material adverse effect on operating results. In addition, Foster City is located near major California earthquake faults. The ultimate impact of earthquakes on the Applied Biosystems group, its significant suppliers, and the general infrastructure is unknown, but operating results could be materially affected in the event of a major earthquake.

**The Celera Genomics/Applied Biosystems Joint Venture's ability to develop proprietary diagnostic products is unproven.**

Applera has announced the formation of Celera Diagnostics, a joint venture between the Applied Biosystems group and the Celera Genomics group in the field of diagnostics. Celera Diagnostics faces

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the difficulties inherent in developing and commercializing diagnostic tests and in building and operating a commercial research and development program. Celera Diagnostics' ability to develop proprietary diagnostic products is unproven, and it is possible that Celera Diagnostics' discovery process will not result in any commercial products or services. Even if Celera Diagnostics is able to develop products and services, it is possible that these products and services may not be commercially viable or successful due to a variety of reasons, including difficulty obtaining regulatory approvals, competitive conditions, the inability to obtain necessary intellectual property protection, the need to build distribution channels, failure to get adequate reimbursement for these products from insurance or government payors, or the inability of Celera Diagnostics to recover its development costs in a reasonable period.

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**THE SPECIAL MEETING**

*This proxy statement/prospectus is being furnished to stockholders of Axys in connection with the solicitation of proxies by the board of directors of Axys for use at the special meeting of its stockholders.*

**Date, Time and Place**

The special meeting will be held at Axys' headquarters located at 180 Kimball Way, South San Francisco, California 94080, at 10:00 a.m. Pacific Time, on November 16, 2001.

**Purpose of the Special Meeting**

At the special meeting, holders of Axys common stock will be asked to consider and vote upon the approval and adoption of the merger agreement and the approval of the merger and such other matters as may properly be brought before the special meeting.

The Axys board of directors has, by unanimous vote, approved the merger agreement and the merger and the transactions contemplated thereby, and recommends a vote FOR approval and adoption of the merger agreement and approval of the merger.

**Record Date; Stock Entitled to Vote**

Only holders of record of Axys common stock at the close of business on October 1, 2001, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting. Axys common stock constitutes the only issued and outstanding class of voting securities of Axys.

On the record date, 40,486,750 shares of Axys common stock were issued and outstanding and were held by 503 holders of record. Holders of record of shares of Axys common stock on the record date are each entitled to one vote per share on each matter to be considered at the special meeting.

**Quorum**

The presence at the special meeting, either in person or by proxy, of a majority of the shares of Axys common stock outstanding on the record date is necessary to constitute a quorum to transact business at the special meeting. If a quorum is not present, it is expected that the special meeting will be adjourned or postponed in order to solicit additional proxies.

Abstentions and "broker non-votes" will be counted for the purpose of determining whether a quorum is present. Broker non-votes are shares held by brokers or nominees on behalf of customers that are represented at the meeting but with respect to which the broker or nominee has not been instructed how to vote. Brokers holding shares of Axys common stock in street name for customers are prohibited from voting those

customers' shares regarding the merger agreement and the merger in the absence of specific instructions from those customers.

### **Vote Required**

The approval and adoption of the merger agreement and the approval of the merger requires the affirmative vote of holders of a majority of the shares of Axys common stock issued and outstanding and entitled to vote on the record date for the special meeting. If you abstain from voting or do not vote, either in person or by proxy, it will have the same effect of a vote against adoption and approval of the merger agreement and approval of the merger.

### **Share Ownership of Management and Others**

At the close of business on the record date, directors and executive officers of Axys and their affiliates beneficially owned and were entitled to vote approximately 342,690 shares of Axys common

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stock, representing approximately 0.8% of the shares of Axys common stock issued and outstanding on the record date. Each of those directors and executive officers has indicated his or her present intention to vote, or cause to be voted, the Axys common stock owned by him FOR the approval and adoption of the merger agreement and approval of the merger.

### **Voting of Proxies**

Shares represented by all properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the holders thereof. Except for the broker non-votes, properly executed proxies that do not contain voting instructions will be voted in favor of the approval and adoption of the merger agreement and approval of the merger.

For voting purposes at the special meeting, only shares voted in favor of approval and adoption of the merger agreement and approval of the merger (which includes properly executed proxies without voting instructions but not broker non-votes) will be counted as favorable votes for the approval and adoption. The failure to submit a proxy (or to vote in person) or the abstention from voting or submission of a broker non-vote with respect to the approval and adoption will have the same effect as a vote against approval and adoption of the merger agreement and approval of the merger.

It is not expected that any matter other than those referred to in this proxy statement/prospectus will be brought before the special meeting. If, however, other matters are properly presented for a vote, the persons named as proxies will vote in accordance with their judgment with respect to those matters. The persons named as proxies by a holder of Axys common stock may propose and vote for one or more adjournments of the special meeting to permit further solicitations of proxies in favor of approval and adoption of the merger agreement and approval of the merger; however, no proxy which is voted against the approval and adoption of the merger agreement and approval of the merger will be voted in favor of an adjournment.

### **Revoking Proxies**

Holders of Axys common stock on the record date may revoke their proxies at any time prior to the time their proxies are voted at the special meeting. Proxies may be revoked by written notice, including by telegram or facsimile, to the Secretary of Axys, by a later-dated proxy signed and returned by mail, or by attending the special meeting and voting in person. Attendance at the special meeting will not in and of itself constitute a revocation of a proxy. Any written notice of a revocation of a proxy must be sent so as to be delivered before the taking of the vote at the special meeting as follows:

Axys Pharmaceuticals, Inc.  
180 Kimball Way  
South San Francisco, CA 94080  
Facsimile: (650) 829-1147  
Attention: William J. Newell

### **Adjournments**

The special meeting may be adjourned for the purpose of, among other things, soliciting additional proxies. Any adjournment may be made at any time by stockholders representing a majority of the votes present in person or by proxy at the special meeting, whether or not a quorum

exists, without further notice other than by an announcement made at the meeting.

If a motion to adjourn or postpone the special meeting to another time or place is made because a quorum is not present at the time the special meeting is convened or for the purposes of soliciting additional proxies or allowing additional time for the satisfaction of conditions of the merger, the persons named as proxies will have the discretion to vote on these matters in accordance with their

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best judgment. However, proxies to be voted against a specific proposal may not be used to vote in favor of an adjournment of the special meeting for the purpose of soliciting additional votes in favor of that proposal or allowing additional time for the satisfaction of conditions of the merger.

### **Proxy Solicitation**

Axys will bear the cost of the solicitation of proxies from its stockholders, except that Applera will pay 75% of the cost of filing, printing and distributing the registration statement and this proxy statement/prospectus and Axys will be responsible for 25% of these costs. In addition to solicitation by mail, the directors, officers and employees of Axys may solicit proxies from stockholders of Axys by telephone or telegram or by other means of communication. These directors, officers and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with the solicitation.

Axys has retained MacKenzie Partners, Inc. to assist in the solicitation of proxies by Axys. Axys will pay \$6,000, plus reimbursement of some out-of-pocket expenses, to MacKenzie Partners for its services. Axys will cause brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of common stock held of record by those persons. Axys will reimburse any of these custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in doing so.

**Do not send in any stock certificates with your proxy cards. Applera will instruct its exchange agent to send transmittal forms with instructions for the surrender of certificates representing shares of Axys common stock in exchange for the issuance of certificates representing shares of Applera Celera stock to former holders of Axys common stock shortly after the merger is completed.**

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## **THE MERGER**

### **Background of the Merger**

In January 2000, Axys' management and board of directors concluded that Axys should explore opportunities for a strategic combination with a company in the life sciences industry. Axys was concerned that its limited financial resources and limited access to novel drug targets would constrain Axys' long-term ability to capitalize on its core scientific assets, primarily its highly skilled scientific employee base. At that time, Axys' cash was running low; it was lower than historical levels as a result of a strategic decision in early 1999 to internally develop a number of its drug discovery programs, rather than seeking a partner and on-going funding for these programs that would provide immediate revenue to Axys. In addition, in January 2000 Axys believed it would have difficulty raising additional capital due to adverse capital market conditions facing the biotech sector generally. This concern was heightened by Axys' challenges in realizing near-term value from any of its affiliated businesses through the sale or equity financing of these businesses. In early 2000, discussions regarding the potential sale of one of these affiliated businesses had been terminated and the other two affiliated businesses were believed to be inadequately developed to attract potential buyers or investors. Consequently, Axys engaged Lehman Brothers as its financial advisor and, through Lehman Brothers, Axys held preliminary discussions with various potential strategic parties during the first two quarters of 2000. None of these discussions progressed beyond the preliminary stage, and on or about August 2000, Axys terminated its relationship with Lehman Brothers.

In addition to exploring the opportunities for strategic combinations during the first half of 2000, Axys also sought additional financing for its operations, and engaged in a series of transactions in 2000 to provide Axys with further funding. In March 2000, when investor interest in the biotech sector was strong, Axys raised approximately \$31.5 million in gross proceeds through a private placement of Axys common stock. In April 2000, Axys merged its subsidiary Advanced Technologies with Discovery Partners and acquired 7,425,000 shares of Discovery Partners stock. Discovery Partners subsequently went public in July 2000; however, the Discovery Partners shares owned by Axys, which represented approximately 33% of Discovery Partners' outstanding shares, were subject to an underwriters' lock up until January 2001 and continue to be subject to various restrictions on resale. In July 2000, Axys put in place an equity line of credit for up to \$50 million and made an initial draw



down of \$10 million. In September 2000, Axys raised an additional \$26 million by selling convertible notes with warrants, which notes were collateralized by most of Axys' Discovery Partners shares. Based on the closing price of Discovery Partners common stock on the Nasdaq National Market on September 1, 2000, Axys' 33% stake in Discovery Partners had a market value in excess of \$145 million. In December 2000, Axys agreed to merge its subsidiary PPGx with another private company, DNA Sciences. Although DNA Sciences filed for an initial public offering in January 2001, it subsequently withdrew that offering. Axys' other spinout business, Akkadix, sought but failed to secure additional funding in late 2000, and in early 2001, laid off a substantial portion of its workforce and was forced to substantially reduce its operations. On September 24, 2001, Akkadix filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of California. Axys does not expect any future benefit from its investment in Akkadix.

In Axys' view during late 2000, the following factors were important to its continuing ability to fund its programs for the next several years: (1) the ability to sell its Discovery Partners shares and the amount that could be realized from that sale, since their market value had declined substantially since the convertible note transaction in which \$26 million had been borrowed, (2) the ability to sell its shares in privately-held DNA Sciences and the amount that could be realized from that sale, (3) the ability to raise additional funding through the equity line or other sources in light of the current difficult biotech funding environment and (4) the entry into additional research and development collaborations to further reduce Axys' operating expenditures.

In January 2001, Axys received an unsolicited invitation from an interested party in the life sciences industry to discuss a possible strategic combination that did not convey specific terms or structure. In February, in response to the overture from this interested party, Axys requested JPMorgan H&Q, a division of J.P. Morgan Securities Inc., to assist Axys in identifying potential merger partners,

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exploring other strategic and financial transactions for Axys and reviewing publicly available information regarding possible merger partners. In identifying potential merger partners, Axys and JPMorgan H&Q focused on parties that had a potential strategic fit with Axys' expertise in the discovery, design and development of small molecule drugs. Axys and JPMorgan H&Q did not openly solicit indications of interest for a merger or other business combination with Axys but targeted and contacted strategic parties that could facilitate the growth of Axys' business. JPMorgan H&Q was not formally engaged by Axys until May 7, 2001. The initial interested party did not deliver a firm proposal to Axys and ended discussions about a potential business combination at an early stage.

During the course of the ensuing months, JPMorgan H&Q and/or Axys engaged in discussions with approximately 10 other potential strategic parties, including Applera, which were potential merger partners for Axys and/or which Axys believed might have the potential to provide Axys with novel targets and other valuable resources. Preliminary discussions with these potential strategic parties about the possibility of a business combination transaction were initiated in a variety of ways. Some of the parties were contacted by JPMorgan H&Q at the request of Axys, others were contacted by Axys during the course of discussions of potential research and development relationships and others approached Axys directly with indications of interest in a potential business combination. Five of the strategic parties contacted by JPMorgan H&Q and/or Axys, including Applera, had preliminary meetings with Axys about potential business combination transactions and commenced preliminary due diligence reviews of Axys' business. Of these five parties with which Axys held preliminary meetings, Applera and one other strategic party expressed interest in further pursuing a potential business combination.

On April 2, Paul Hastings, Axys' President and Chief Executive Officer, Dr. Michael Venuti, Senior Vice President, Research and Preclinical Development and Chief Technical Officer and William Newell, Senior Vice President, Corporate & Business Development, met with Dr. Peter Barrett, Chief Business Officer of the Celera Genomics group, to discuss a possible transaction in general terms. On that same date, Axys and Applera entered into a confidentiality agreement. Executives of both companies, as well as their respective financial advisors, met periodically over the ensuing weeks to explore a potential strategic combination. Commencing in mid-April, Applera began a preliminary due diligence review of Axys' operations.

On May 2 and 3, a team from the Celera Genomics group led by Dr. Barrett met with Axys management to further discuss the Axys business. After that meeting and throughout the remainder of May, Applera conducted a more thorough due diligence review of Axys' business, scientific, legal and financial affairs and engaged in more in depth discussions with Axys' senior management team. Additional information was exchanged during these discussions about company strategies and potential synergies. Additionally, the importance of retaining Axys' skilled scientific work force was discussed, as well as various possible methods of providing incentives to that work force to remain after the conclusion of the potential transaction. During the month of May, Axys and Applera and their respective financial advisors also commenced preliminary negotiations regarding the possible financial terms for a merger.

On May 31, representatives of Applera informed Axys that Applera was considering a stock transaction in which each share of Axys stock would be exchanged for \$4.50 in Applera Celera stock. In addition, Applera indicated that it was considering providing additional stock options to some Axys employees after the closing of the potential transaction as well as providing that no Applera Celera stock options received by Axys employees upon conversion of their Axys stock options would have an exercise price in excess of the trading price of Applera Celera stock immediately prior to the closing.

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The board of directors of Axys held meetings on May 14, May 17, May 23 and June 1 with Axys' management and legal advisors and, except with respect to the May 23 meeting, representatives of JPMorgan H&Q, concerning the progress of the Applera negotiations and related matters. During these meetings, the board of directors instructed management and Axys' legal and financial advisors to continue negotiations with Applera.

Beginning in the week of June 3, the respective financial advisors and legal counsel for Axys and Applera reviewed and negotiated the detailed terms of a definitive merger agreement to govern the

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strategic combination of the parties and Applera continued to conduct its due diligence review of Axys' business throughout the week. On June 6, Applera's financial advisor, Morgan Stanley, confirmed with Axys' financial advisor, JPMorgan H&Q, that Applera was willing to pay \$4.50 in Applera Celera stock for each share of Axys stock, but that the \$4.50 would be subject to a 15% collar mechanism which would subject the Axys stockholders to the risk of receiving less than \$4.50 per share of Axys stock if the stock price of Applera Celera stock decreased by more than 15% prior to the closing and the opportunity to receive more than \$4.50 per share if the stock price of Applera Celera stock increased by more than 15% prior to the closing. In subsequent conversations, Axys' senior management informed representatives of Applera that a stock transaction at a higher price per share, without a collar mechanism, would be more attractive.

Tony L. White, Applera's Chairman and Chief Executive Officer, and Peter Chambré, Chief Operating Officer of the Celera Genomics group, met with Mr. Hastings on June 7, and Dr. Venuti met with Dr. Craig Venter, President and Chief Scientific Officer of the Celera Genomics group on June 10, to discuss the possible strategic transaction. On June 11, Mr. Hastings and Mr. Newell informed Dr. Barrett and Mr. Chambré that Applera would have to increase its offer price and widen the collar in order to provide more downside protection for the Axys stockholders. On the evening of June 11, representatives of JPMorgan H&Q informed the Axys board of directors and management that Applera had increased its offer to \$4.65 per share of Axys common stock payable in Applera Celera stock based on the 10-day average trading price prior to the closing. In addition, Applera was willing to widen the collar mechanism to provide that the Axys stockholders would receive \$4.65 per share so long as the stock price did not decrease by more than 25% and that Axys stockholders would be able to participate in increases in the Applera Celera stock price until the value reached \$4.90 per share, with the ability to participate in any increases in the average price of Applera Celera stock during the calculation period that were more than 25% above the level corresponding to \$4.90 per share. Axys was informed that the new collar mechanism was designed to address Axys' concerns about protecting the Axys stockholders from a decrease of up to 25% in the market price of Applera Celera stock while enabling them to participate in increases in the average market price of Applera Celera stock during the calculation period.

The board of directors of Axys discussed the proposed terms of the merger, including the exchange ratio and other material terms, with legal counsel and representatives from JPMorgan H&Q at special meetings held on the evenings of June 10 and 11. During each of these meetings, members of the law firm of Latham & Watkins, outside counsel to Axys, reviewed with the directors their fiduciary duties. At the conclusion of each meeting, the board of directors instructed management to continue proceeding toward reaching a final definitive agreement with Applera.

During the period that Axys was providing due diligence materials to Applera, and Applera and Axys were negotiating a potential strategic combination, Axys was also providing due diligence information to the one other potential strategic party which remained interested in a potential business combination with Axys. This other potential strategic party was a large pharmaceutical company that had approached Axys on April 11 about the possibility of a strategic combination. Axys had had previous discussions with this party in January 2001 regarding a possible research and development collaboration. On April 23, Axys and the other strategic party executed a confidentiality agreement and, on the next day, Mr. Hastings, Mr. Newell and Dr. Venuti met with representatives of the other party to discuss a possible transaction, in general terms. Executives of both companies, and JPMorgan H&Q, met periodically over the next few weeks to discuss preliminary transaction structures and the other party commenced a preliminary due diligence review of Axys' business and operations. On May 23, Mr. Hastings and Mr. Newell met with representatives of the other party who indicated that it was considering a stock for stock merger in which each share of Axys common stock would be exchanged for \$4.50 in shares of common stock of the other party, based on the average trading price of the other party's common stock for the 20 trading days prior to the closing of the proposed transaction. On May 31, Mr. Hastings and Mr. Newell had additional discussions with the other party regarding due diligence and the possible merger. At that meeting Axys informed the other party that a higher per share price in the proposed merger would be more attractive, and the parties determined to commence drafting and negotiating a definitive agreement for the proposed transaction.

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During the first week of June the respective legal counsel for Axys and the other party reviewed and negotiated the detailed terms of a definitive merger agreement and had numerous discussions about the terms of the possible merger; in particular, the parties discussed Axys' ability to continue to operate its business during the pre-closing period and concerns that Axys had with the other party's requirement that the potential transaction be contingent on retaining 17 of 20 identified members of Axys' senior scientific staff through the closing of the potential

transaction. On June 10, the other party increased its offer to \$4.75 per share of Axys common stock, payable in shares of common stock of the other party based on the twenty-day average trading price prior to the closing of the proposed transaction, but indicated that the employee retention condition was an integral part of its offer that it would not be prepared to eliminate. On June 11, the other party indicated that it would be willing to reduce the employee retention condition from 17 of 20, to 14 of 20 identified scientific personnel and to permit Axys to provide limited cash incentives to Axys employees. The cash incentives that the other party agreed to permit Axys to provide totaled an aggregate amount of \$750,000, only one-half of which could be paid by Axys to those employees who remained employed through the closing of the proposed transaction. The remaining half could be paid to Axys employees following the closing of the proposed transaction upon the achievement of specified performance objectives.

The status and terms of this alternative merger proposal were reviewed and discussed by the Axys board members during the board meetings held on May 14, May 17, May 23, June 1, June 10 and June 11, and during each of the meetings, the Axys board of directors instructed management to continue to pursue this potential merger transaction concurrently with their discussions with Applera.

The Axys board of directors believes that Axys' success to date and ongoing value are attributable to Axys' base of highly-qualified and experienced scientific employees. The Axys board of directors had significant concerns regarding Axys' ability to retain these very talented and sought after employees through the closing of a potential merger with this second party, and failing this retention, concerns that the potential merger might fail to close because the other party was requiring that the closing of the merger be contingent on Axys retaining a significant number of its scientific employees. Concern further deepened when the Axys board of directors was informed by Axys management that they were not confident that Axys could retain key scientific employees if a merger with a large pharmaceutical company were consummated, as it was believed that some might leave Axys in order to remain in the biotechnology industry rather than join a large pharmaceutical company. In this regard, Axys believed that the limited cash retention incentives that the other party would permit Axys to make available to its employees would not be sufficient to retain key scientific personnel. Although terms of the proposed transaction with Applera did not include cash retention incentives, the closing of the transaction was not conditioned upon retaining employees through the closing. In addition, Axys believed that it would have an increased ability to retain its employees through the closing of the merger with the Applera affiliate. This belief was based on the current business practices of Applera, which encouraged collaborations for drug discovery and development, and its position within the biotechnology industry. This belief was also based on Applera's willingness to provide that all Axys stock options held by Axys employees that would be converted to Applera Celera stock options in the proposed merger would have an exercise price not exceeding the trading price of Applera Celera stock immediately prior to the merger and to consider the issuance of additional stock options to Axys employees following the merger. In addition, the second party wanted to limit strictly Axys' ability to amend and extend its existing collaboration agreements and enter into similar agreements for non-sponsored research and development programs prior to the closing of a merger. Although the terms of the proposed transaction with Applera required that, except in limited specified circumstances, Axys obtain the consent of Applera prior to amending or extending its existing collaboration agreements or entering into new collaboration agreements, senior management of Applera had indicated that Applera expected to be receptive to Axys's requests to enter into agreements as continued partnering has been and was expected to be generally consistent with the business practices of the Celera Genomics group. In contrast, the other party had a business strategy that focused on internal development for its own benefit rather than through collaboration. The board of directors noted that Axys' existing and planned collaboration agreements were an integral part of Axys' financial planning, and the elimination of these initiatives would meaningfully jeopardize Axys' sources of revenue and liquidity. The board of directors

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concluded that if the merger with this second party failed to close due to a failure to retain employees or some other reason, Axys' ability to continue its operations would be hampered significantly if it could not pursue its collaboration initiatives during the pre-closing period. At its meetings on June 1, June 10 and June 11, the board of directors discussed the differences between the terms of the two proposed transactions, including discussions about the closing conditions and the restrictions on Axys' ability to operate its business prior to the closing being required by Applera and the other party, as well as the differences between the Applera Celera stock and the common stock being offered by the other party. Concerns about the certainty of closing the merger due primarily to the other party requiring that the transaction be conditioned on retaining scientific personnel, in addition to concerns about the ongoing financial strength of Axys in the event the merger did not close, led the board of directors to conclude in its June 11 meeting that the Applera transaction, which was not contingent on retaining employees and offered Axys greater flexibility to continue partnering and collaboration initiatives, was superior to the proposal from the second party.

Immediately following the board meeting on June 11, and again during the afternoon and evening of June 12, Axys and its financial advisor invited the second party to revise its proposal to address Axys' concerns about its limited ability to operate its business during the pre-closing period and the employee retention condition. To date, Axys has not received a new proposal from the second party.

At a special meeting of the Axys board of directors held on the evening of June 12, 2001 and attended by JPMorgan H&Q and Axys' legal counsel, Latham & Watkins and Richards, Layton & Finger, the board of directors reviewed and discussed the final definitive Applera merger agreement. Axys' legal counsel reviewed with the members of the Axys board of directors their fiduciary duties relating to the proposed transaction with Applera. Also at this meeting, JPMorgan H&Q reviewed its financial analysis of the exchange ratio provided for in the transaction and delivered to the Axys board of directors its oral opinion (which opinion was confirmed by a written opinion dated June 12, 2001)

to the effect that, as of the date provided in the opinion, and based on and subject to the matters described in the opinion, the exchange ratio provided for in the transaction was fair, from a financial point of view, to holders of Axys' common stock. See "The Merger Opinion of the Financial Advisor to the Axys Board of Directors" in this proxy statement/prospectus for more information about the opinion delivered by JPMorgan H&Q. The opinion is attached as Annex B to this proxy statement/prospectus. JPMorgan H&Q expressed no opinion as to the fairness of the offer from the second party nor did it make a recommendation to pursue one transaction over any other. At the conclusion of the meeting, the board of directors unanimously determined that the Applera merger was fair to and in the best interests of Axys' stockholders and approved the definitive merger agreement.

At a special meeting of the board of directors of Applera held by telephone on the afternoon of June 12, 2001 and attended by Morgan Stanley & Co. Incorporated, financial advisor to Applera, and Applera's legal counsel, Simpson Thacher & Bartlett, the board of directors reviewed and discussed the proposed terms of the merger transaction with Axys. The Applera board of directors approved the terms of the merger and delegated authority to members of senior management to finalize and enter into a definitive merger agreement.

The merger agreement was executed the night of June 12, 2001, and the transaction was announced in a joint press release on the morning of June 13, 2001.

### Reasons of Axys for the Merger

The Axys board of directors carefully considered the terms and conditions of the merger agreement and the proposed merger. The Axys board of directors unanimously determined that the merger of Axys pursuant to the terms of the merger agreement is in the best interests of Axys' stockholders, unanimously approved the merger agreement and the merger and unanimously recommended that the stockholders of Axys vote to approve and adopt the merger agreement and approve the merger.

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In reaching its unanimous decision to approve the merger agreement, the Axys board of directors considered a number of positive factors, including the following:

the combination of the Celera Genomics group's strong capabilities in the areas of genomics; proteomics, which is the study of proteins encoded by genes; information technology; and high throughput computation, which is the study of multiple genes and their expressions simultaneously; and Axys' complementary strengths in the areas of medicinal, structural and combinatorial chemistry and biology, would enable the combined company to more effectively pursue the research and development of innovative small molecule drugs;

the combined company's enhanced ability to identify a high volume of new therapeutic targets, select the best targets from among them and develop new drugs to intervene with the targets;

the opportunity for Axys' stockholders to participate in a larger and better capitalized organization and to benefit from the potential appreciation in Applera Celera stock;

the opportunity for holders of Axys common stock to receive a significant premium of approximately 35% over the existing market price for shares of Axys' common stock prior to the announcement of the merger based on the Axys closing price on June 11, 2001 and the average closing price of Applera Celera stock for the 10 trading days preceding the announcement, and a greater premium if the average closing price of Applera Celera stock during the calculation period for the exchange ratio rose above \$45.77;

the greater liquidity of Applera Celera stock illustrated by the average daily trading volume of Applera Celera stock of 723,830 shares over the 10 trading days preceding the announcement of the merger as compared to 82,120 shares of Axys common stock over the same period;

Access to analyst coverage, as Applera Celera stock was covered by approximately 13 analysts, while Axys had no analyst coverage at the time the merger was announced.

the increased ability of Axys to access capital for research and development;

the scientific renown of the Celera Genomics group and its access to cutting-edge technologies, including technologies from the Applied Biosystems group;

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the opinion of the financial advisor to the Axys board of directors that, as of June 12, 2001, and subject to the assumptions and limitations set forth in the fairness opinion, the exchange ratio was fair, from a financial point of view, to the holders of the outstanding shares of Axys' common stock, and the financial presentation made by Axys' financial advisor to the board of directors in connection with the delivery of its opinion;

the fact that with the assistance of its financial advisor Axys had engaged in a review of the available alternatives for strategic and financial transactions, and the fact that the Axys board of directors had concluded that Applera was the best available alternative for Axys for a strategic combination;

the ability of Axys to terminate the merger agreement upon receipt of a superior acquisition proposal, subject to the payment of specified customary termination fees;

the fact that the parties intended for the merger to qualify as a tax-free transaction for United States federal income tax purposes (except for tax resulting from any cash received for fractional shares by the holders of Axys common stock) which would permit Axys' stockholders to receive Applera Celera stock in a tax-free exchange;

the belief that Axys would have an increased ability to retain its employees through the closing of the merger due to the willingness of Applera to permit Axys to provide incentives to Axys' employees;

if Axys were to remain as a stand-alone company, there was a substantial possibility it would need to undertake significant cost savings measures to continue its business operations, including termination of a large number of its employees;

the belief that Axys and the Celera Genomics group have complementary cultures, which would assist Axys in the retention of its scientific employees through the closing of the transaction;

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the limited conditions to closing and likelihood of closing the transaction;

the extensive negotiation process undertaken before the signing of the merger agreement;

the expectation that Axys' existing relationships with third-party collaborators would not be harmed by the merger since the Celera Genomics group actively seeks collaborative relationships and is not currently a direct competitor of Axys' major collaborators; and

the fact that Axys' strategy of extending existing collaboration agreements as well as pursuing additional collaboration agreements was consistent with the strategy of the Celera Genomics group.

The Axys board of directors also considered a number of potentially negative factors in its deliberations concerning the merger, including:

the risk that the merger would not be completed in a timely manner or at all, or, if completed, that the benefits sought in the merger would not be achieved;

the risk that the average closing price of Applera Celera stock during the 10-day period ending two business days prior to closing will decline below \$34.32, the level below which there will be no further adjustment to the exchange ratio, so that the market price of the Applera Celera stock to be received by holders of Axys common stock will be less than \$4.65 per share of Axys common stock;

that the market value of Applera Celera stock may decline after the closing of the merger;

the substantial management time and effort that will be required to consummate the merger and integrate the operations of the two companies;

the possibility that provisions in the merger agreement would likely have the effect of discouraging other persons potentially interested in merging with Axys from pursuing the opportunity; and

the other risks and uncertainties discussed above under "Risk Factors."

The Axys board of directors believes that these negative risks are outweighed by the potential benefits to be gained by the merger.

The Axys board of directors, at a meeting on October 5, 2001, discussed the merger in light of the decline in the stock market price of Applera Celera stock since the execution of the merger agreement. The Axys board of directors concluded that it has no reason to believe the relative values of the two companies have changed in any material respect. The Axys board of directors took into consideration the relative performance of the stock market, the biotechnology industry, and the genomic peer group to the stock performance of Applera Celera since the announcement of the merger and since the beginning of this year, as well as the public announcements made by Applera Celera since the announcement of the merger.

The foregoing discussion of the information and factors considered by the board of directors of Axys is not intended to be exhaustive. In view of the wide variety of the factors considered by the board of directors in evaluating the merger and the complexity of these matters, the board of directors of Axys did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to the various factors considered. In considering the factors described above, individual members of the board of directors of Axys may have given different weight to different factors.

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### **Recommendation of the Axys Board of Directors**

After careful consideration, and in light of the factors described under the heading "Reasons for the Merger Axys," the Axys board of directors has unanimously determined that the merger agreement is advisable, and that the merger and the consideration to be paid to the holders of Axys' common stock in the merger are fair to, and in the best interests of, the holders of Axys' common stock. Accordingly, the Axys board of directors has unanimously approved the merger agreement and the merger, and unanimously recommends that the holders of Axys' common stock entitled to vote at the special meeting vote FOR the proposal to approve and adopt the merger agreement and approve the merger.

### **Reasons of Applera for the Merger**

In reaching its determination to approve the merger agreement and the transactions contemplated thereby, the Applera board of directors considered a number of factors, including the factors listed below.

The board of directors' belief that the technology, expertise and infrastructure that would be acquired in the proposed acquisition of Axys would assist the Celera Genomics group in achieving its strategic goal of expanding its business in drug discovery and development and accelerate the ability of the Celera Genomics group to identify innovative new therapies. Specifically, the board of directors believes that combining the Celera Genomics group's target discovery programs with Axys' small molecule lead identification and optimization capabilities could lead to the development of new therapeutic products.

The board of directors' belief that Axys' highly-qualified and experienced scientific employees would be complementary with those of the Celera Genomics group and that the two organizations have complementary cultures.

The board of directors' belief that the combination of capabilities of Axys and the Celera Genomics group would provide increased opportunities for revenue growth through new and accelerated internal and collaborative therapeutic discovery and development programs.

The board of directors' belief that a business combination with Axys would provide opportunities beyond those available in a reasonable time frame through internal growth by permitting the Celera Genomics group to acquire technical capabilities, capacity infrastructure, people and expertise that will provide a base from which the combined business could accelerate development of therapeutics.

The board of directors' determination that the terms and conditions of the merger agreement, including the form and amount of consideration and the representations, warranties, covenants and conditions contained in the agreement, are in the best interests of Applera.

None of the foregoing factors or groups of factors had particular prominence in the decision of the Applera board of directors to approve the merger agreement and the transactions contemplated thereby, and none was assigned any specific or relative weight.

**Opinion of the Financial Advisor to the Axy's Board of Directors**

The board of directors of Axy's retained JPMorgan H&Q, a division of J.P. Morgan Securities Inc., as its financial advisor in connection with the proposed merger.

The full text of the definitive written JPMorgan H&Q opinion, dated June 12, 2001, which sets forth the assumptions made, the procedures followed, the matters considered and the limitations on the scope of the review undertaken by JPMorgan H&Q in rendering its opinion is attached as Annex B to this proxy statement/prospectus. Holders of Axy's common stock are urged to read the JPMorgan H&Q

opinion carefully and in its entirety. The JPMorgan H&Q opinion only addresses the fairness of the exchange ratio provided in the merger agreement, from a financial point of view, to the holders of common stock of Axy's as of the date of the JPMorgan H&Q opinion, and does not constitute a recommendation to any stockholder of Axy's as to how the stockholder should vote at the special meeting.

At the meeting of the board of directors of Axy's on June 12, 2001, JPMorgan H&Q rendered its oral opinion to the board of directors of Axy's that, as of such date, the exchange ratio provided in the merger agreement, as defined in the merger agreement, was fair, from a financial point of view, to the holders of common stock of Axy's. JPMorgan H&Q has confirmed its June 12, 2001 oral opinion by delivering its written opinion, dated June 12, 2001, to the board of directors of Axy's, that, as of such date, the exchange ratio provided in the merger agreement was fair, from a financial point of view, to the holders of common stock of Axy's. No limitations were imposed by the board of directors of Axy's upon JPMorgan H&Q with respect to the investigations made or procedures followed by it in rendering its opinion.

In arriving at its opinion, JPMorgan H&Q (1) reviewed a draft of the merger agreement, dated June 11, 2001, which was not materially different from the final agreement; (2) reviewed publicly available business and financial information concerning Axy's and the Celera Genomics group, and the industries in which they operate; (3) compared the proposed financial terms of the merger with the publicly available financial terms of transactions involving companies JPMorgan H&Q deemed relevant and the consideration received for these companies; (4) reviewed the potential impact of a relevant range of prices of Applera Celera stock on the number of shares of Applera Celera stock that each holder of Axy's common stock would receive based on the effect of the collar; (5) compared the financial and operating performance of Axy's and the Celera Genomics group with publicly available information concerning other companies it deemed relevant and reviewed the current and historical market prices of the common stock of Axy's and Applera Celera stock and publicly traded securities of these other companies; (6) reviewed internal financial analyses and forecasts prepared by the management of Axy's relating to its business; and (7) performed other financial studies and analyses and considered other information as it deemed appropriate for the purposes of its opinion.

In giving its opinion, JPMorgan H&Q relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or was furnished to it by Axy's and Applera or otherwise reviewed by it. JPMorgan H&Q has not conducted any valuation or appraisal of any assets or liabilities, nor have any valuations or appraisals been provided to it. In relying on financial analyses and forecasts provided to it, JPMorgan H&Q has assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management and its representatives as to the expected future results of operations and financial condition of Axy's and the Celera Genomics group to which these analyses or forecasts relate. JPMorgan H&Q has also assumed that the merger will qualify as a tax-free reorganization for United States federal income tax purposes, that the merger will be accounted for as a purchase, and that the other transactions contemplated by the merger agreement will be consummated as described in the merger agreement. JPMorgan H&Q has relied as to all legal matters relevant to rendering its opinion upon the advice of counsel. JPMorgan H&Q has also assumed that the definitive merger agreement did not differ in any material respects from the draft thereof furnished to it. JPMorgan H&Q has further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on Axy's, the Celera Genomics group or the Applera or on the contemplated benefits of the merger.

JPMorgan H&Q also held discussions with members of the management of Axy's with respect to aspects of the merger, and the past and current business operations of Axy's and the Celera Genomics group, the financial condition and future prospects and operations of Axy's and the Celera Genomics

group, the effects of the merger on the financial condition and future prospects of Axy's and the Celera Genomics group, and other matters it believed necessary or appropriate to its inquiry.

The opinion of JPMorgan H&Q is necessarily based on economic, market and other conditions as in effect on, and the information made available to it as of June 12, 2001. The implied premiums appearing below were calculated based on the market prices of Applera Celera stock

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and Axys common stock on the dates or during the periods specified. JPMorgan H&Q was aware that the market prices of both Applera Celera stock and Axys common stock could fluctuate in the future due to changes in market conditions or other reasons. On June 12, 2001 the last full trading day prior to the announcement of the merger agreement, the closing price of Applera Celera stock was \$41.75 per share and the closing price of Axys common stock was \$3.45 per share. On October 12, 2001 the last full trading day before the date of this proxy statement/prospectus, the closing price of Applera Celera stock was \$26.80 per share and the closing price of Axys common stock was \$3.54 per share. It should be understood that subsequent developments may affect this opinion and that JPMorgan H&Q does not have any obligation to update, revise, or reaffirm this opinion. For purposes of its opinion, JPMorgan H&Q was not asked to consider, and its opinion does not address, the relative merits of the merger as compared to any alternative business strategy that might exist for Axys or of the effect of any other business combinations in which Axys might engage. The opinion of JPMorgan H&Q is limited to the fairness, from a financial point of view, to the holders of common stock of Axys of the exchange ratio in the proposed merger, and it expresses no opinion as to the underlying decision by Axys to engage in the merger. JPMorgan H&Q expressed no opinion therein as to the price at which Celera Genomics common stock will trade at any future time.

The projections furnished to JPMorgan H&Q for Axys were prepared by the management of Axys. Axys does not publicly disclose internal management projections of the type provided to JPMorgan H&Q in connection with JPMorgan H&Q's analysis of the transaction, and these projections were not prepared with a view toward public disclosure. These projections were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in these projections.

In accordance with customary investment banking practice, JPMorgan H&Q employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses utilized by JPMorgan H&Q in connection with providing its opinion.

### Analysis of Axys

**Historical Price and Premium Analysis.** JPMorgan H&Q calculated the implied premium over the closing price of the common stock of Axys as of June 11, 2001 of the consideration to be paid in the proposed merger.

Period of Sales Price Comparison	Implied Premium at \$4.65
June 11, 2001	42.6%
5 Day Average	38.6%
10 Day Average	41.5%
20 Day Average	41.0%
60 Day Average	50.2%
90 Day Average	28.2%

**Premiums Paid Analysis.** JPMorgan H&Q compared the implied premium as of June 11, 2001 of the consideration to be paid in the proposed merger to implied premiums paid in comparable transactions. The transactions used for this analysis were:

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Johnson & Johnson / Inverness

Vertex / Aurora

Antigenics Inc. / Aronex Pharmaceuticals

Johnson & Johnson / Alza Corp.

Johnson & Johnson / Heartport

Lion Bioscience AG / Trega Biosciences Inc.



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Shire Pharmaceuticals / BioChem Pharma

Corixa Corp. / Coulter Pharmaceuticals

Genzyme General / GelTex Pharmaceuticals

Elan Corp. / Dura Pharmaceuticals

Antigenics Inc. / Aquila Biopharmaceuticals

Chiron Corporation / Pathogenesis

Evotec Biosystems / Oxford Asymmetry

Cephalon / Anesta

Molecular Devices / LJI BioSystems

Elan Corp. / Liposome Company

Johnson & Johnson / Centocor

Applying the median premiums paid to the corresponding closing price of the common stock of Axys as of June 11, 2001, JPMorgan H&Q calculated the following implied equity values per share.

Period of Price Comparison	Median Premium Paid	Implied Equity Value per share
One day prior spot price	27.5%	\$ 4.16
10 day trailing average	31.9%	\$ 4.33
30 day trailing average	35.4%	\$ 4.43

JPMorgan H&Q compared the range from \$4.16 to \$4.43 to the offer price in the proposed merger, as of June 11, 2001, of \$4.65 and found the offer price in the proposed merger to be above this range.

**Exchange Ratio Analysis.** JPMorgan H&Q reviewed the ratios of the closing prices of the common stock of Axys to the corresponding closing prices of the common stock of the Celera Genomics group over various periods ending June 11, 2001. The resulting ratios are referred to as average exchange ratios.

Period Ending June 11, 2001	Average Implied Exchange Ratio
90 Day	0.0932x
60 Day	0.0831x
20 Day	0.0749x
10 Day	0.0719x
5 Day	0.0699x
1 Day	0.0710x

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JPMorgan H&Q compared these ratios with the implied natural exchange ratio of 0.1012x as of June 11, 2001, and found the implied natural exchange ratio to be above these ratios.

**Public Trading Multiples.** Using publicly available information, JPMorgan H&Q compared selected employee data of Axys with similar data for comparable companies which JPMorgan H&Q judged to be of a similar employee business to Axys. The companies selected by JPMorgan H&Q were Array BioPharma, Inc., Medichem Life Sciences, Inc. and Albany Molecular Research, Inc. These companies were selected, among other reasons, because of their operational and organizational similarities with Axys. For each comparable company, JPMorgan H&Q determined the number of chemists and Ph.D.'s as of June 2001. JPMorgan H&Q calculated the multiples of enterprise value (enterprise value equals market value plus net debt) to the number of chemists and Ph.D.'s at each comparable company. These resulting median multiples were then applied to Axys' number of chemists and Ph.D.'s, yielding implied enterprise values that were then used to calculate implied equity values per share for Axys. JPMorgan H&Q, in its judgment, used the following results of these calculations:

Metric	Multiples	Implied Equity Value Per Share for Axys
Chemists	1.6x	\$ 3.52
Ph.D.'s	2.7x	\$ 5.36

JPMorgan H&Q compared the range from \$3.52 to \$5.36 to the offer price in the proposed merger, as of June 11, 2001, of \$4.65 and found the offer price in the proposed merger to be located within this range.

**Discounted Future Value Analysis.** Using publicly available information, JPMorgan H&Q compared selected financial data of Axys with similar data for selected publicly traded healthcare companies with near-term sales engaged in businesses which JPMorgan H&Q judged to be similar to Axys' business. The companies selected by JPMorgan H&Q were Aviron, ImClone Systems Incorporated, The Medicines Company, Praecis Pharmaceuticals Incorporated and Scios Inc. These companies were selected, among other reasons, because of their operational, organizational and overall business similarities with Axys and because each company is expected to have near-term sales. For each comparable company, Wall Street projections for CY2002 and CY2003 revenues were measured as well as current equity values. JPMorgan H&Q calculated the current enterprise values for each company and used these values to calculate multiples of enterprise value to CY2002 and CY2003 revenues. JPMorgan H&Q selected the applicable median multiple and applied it to the projected CY2007 and CY2008 revenues for Axys as provided by management of Axys in order to calculate the future enterprise value of Axys. The resulting enterprise values were discounted back to the current year. JPMorgan H&Q then calculated equity values per share for Axys. JPMorgan H&Q, in its judgment, used the following results of these calculations:

	Multiple	Implied Equity Value per Share for Axys
CY2007	9.7x	\$ 4.15
CY2008	7.3x	\$ 4.25

JPMorgan H&Q then calculated the average of these implied equity values per share as \$4.20.

JPMorgan H&Q also compared selected financial data of Axys with similar data for selected publicly traded healthcare companies with current sales engaged in businesses which JPMorgan H&Q judged to be similar to Axys' business. The companies selected by JPMorgan H&Q were Celgene, Cephalon, COR Therapeutics and QLT Inc. These companies were selected, among other reasons, because of their operational, organizational and overall business similarities with Axys and because each company has current sales. For each comparable company, Wall Street projections for CY2001 and CY2002 revenues were measured as well as current equity values. JPMorgan H&Q calculated the

current enterprise values for each company and used these values to calculate multiples of enterprise value to CY2001 and CY2002 revenues. JPMorgan H&Q selected the applicable median multiple and applied it to the projected CY2008 and CY2009 revenues for Axys as provided by management of Axys in order to calculate the future enterprise value of Axys. The resulting enterprise values were discounted back to the current year. JPMorgan H&Q then calculated equity values per share for Axys. JPMorgan H&Q, in its judgment, used the following results of these calculations:

	Multiple	Implied Equity Value per Share for Axys
CY2008	16.1x	\$ 4.87
CY2009	9.9x	\$ 4.27

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JPMorgan H&Q then calculated the average of these implied equity values per share as \$4.57. JPMorgan H&Q then observed that the range of average implied equity values per share for Axys based on the near-term sales comparable companies and current sales comparable companies was \$4.20 to \$4.57, and found the offer price in the proposed merger, as of June 11, 2001, of \$4.65, to be above this range.

**Historical Trading Price Analysis.** JPMorgan H&Q reviewed and analyzed the historical closing prices for the common stock of Axys for the 12 month period ending June 11, 2001. JPMorgan H&Q observed the following values for the trading price of the common stock of Axys:

Metric	Price
Period High	\$ 8.06
Period Low	\$ 2.19

JPMorgan H&Q compared the range from \$2.19 to \$8.06 to the offer price in the proposed merger, as of June 11, 2001, of \$4.65. JPMorgan H&Q also considered in its analysis the historical closing prices for the common stock of Axys for the six months ended June 11, 2001. JPMorgan H&Q compared the six month range of \$2.19 to \$6.47 to the offer price in the proposed merger, as of June 11, 2001, of \$4.65.

### Analysis of the Celera Genomics Group of Applera

**Selected Public Company Analysis.** JPMorgan H&Q compared selected financial data of the Celera Genomics group with similar data for selected publicly traded companies engaged in businesses which JPMorgan H&Q judged to be similar to the business of the Celera Genomics group. These companies included two publicly traded genomics-based discovery companies, Human Genome Sciences and Millenium, and nine publicly traded genomics/technology companies, Affymetrix, Caliper, Curagen, Deltagen, Exelixis, Gene Logic, Incyte, Lexicon Genetics and Luminex. For each comparable company, Wall Street projections for CY2001 and CY2002 revenues were measured as well as current equity values. JPMorgan H&Q calculated current enterprise values for each comparable company and used these values to calculate multiples of enterprise value to CY2001 and CY2002 revenues for the nine genomics/technology companies. JPMorgan H&Q found the median and average to be as follows:

	Enterprise Value/ Estimated 2001 Revenue	Enterprise Value/ Estimated 2002 Revenue
Median	16.1x	7.5x
Average	20.9x	11.7x

JPMorgan H&Q then calculated the current enterprise value for the Celera Genomics group and used this value to calculate multiples of enterprise value to CY2001 and CY2002 revenues for the

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Celera Genomics group, based on Wall Street projections for CY2001 and CY2002, as follows:

Enterprise Value/ Estimated 2001 Revenue	Enterprise Value/ Estimated 2002 Revenue
16.9x	10.1x

JPMorgan H&Q compared the multiples of enterprise value to revenue for the Celera Genomics group to those for the nine comparable genomics/technology companies and found the multiples for the Celera Genomics group to be above the median and below the average.

**Historical Trading Price Analysis.** JPMorgan H&Q reviewed and analyzed the historical closing prices for the Applera Celera stock for the 12 month period ending June 11, 2001. JPMorgan H&Q observed the following values for the trading price of Applera Celera stock:

Metric	Price
Period High	\$ 138.00
Period Low	\$ 27.50

JPMorgan H&Q compared the range from \$27.50 to \$138.00 to the price of Applera Celera stock as of June 11, 2001 of \$45.94.

### Pro Forma Combined Company Analysis

**Accretion (Dilution) Analysis.** JPMorgan H&Q analyzed the potential pro forma financial effect of the merger on the estimated earnings per share of Applera Celera stock for CY2002. This analysis was based on information provided by the management of Axys and on Wall Street projections for the Celera Genomics group. JP Morgan H&Q found that the effect of the proposed merger would be dilutive to, or represent a decrease in, estimated earnings per share for the combined company in CY2002.

**Relative Contribution Analysis.** JPMorgan H&Q analyzed the relative contribution in CY2002 of each of the Celera Genomics group and Axys to revenues of the pro forma combined company based on information provided by the management of Axys and on Wall Street projections for the Celera Genomics group. This analysis indicated that the revenue contribution of the Celera Genomics group would be 93.1% and of Axys would be 6.9%, and that the pro forma ownership of the Celera Genomics group would be 94.75% and of Axys would be 5.25%.

The summary set forth above does not purport to be a complete description of the analyses or data presented by JPMorgan H&Q. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. JPMorgan H&Q believes that the summary set forth above and its analyses must be considered as a whole and that selecting portions thereof, without considering all of its analyses, could create an incomplete view of the processes underlying its analyses and opinion. JPMorgan H&Q based its analyses on assumptions that it deemed reasonable, including assumptions concerning general business and economic conditions and industry-specific factors. The other principal assumptions upon which JPMorgan H&Q based its analyses are set forth above under the description of each analysis. JPMorgan H&Q's analyses are not necessarily indicative of actual values or actual future results that might be achieved, which values may be higher or lower than those indicated. Moreover, JPMorgan H&Q's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold.

As a part of its investment banking business, JPMorgan H&Q and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed

and unlisted securities, private placements, and valuations for estate, corporate and other purposes. JPMorgan H&Q was selected to advise the board of directors of Axys with respect to the merger on the basis of this experience and its familiarity with Axys.

For services rendered in connection with the merger, Axys has agreed to pay JPMorgan H&Q a customary fee of which \$1,700,000 is contingent upon consummation of the proposed merger. In addition, Axys has agreed to reimburse JPMorgan H&Q for its expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify JPMorgan H&Q against specified liabilities, including liabilities arising under the federal securities laws. Previously, JPMorgan H&Q has provided investment banking and other financial advisory services to Axys, including as a manager in a public offering of securities in 1996, and has received fees for rendering these services.

In the ordinary course of their businesses, JPMorgan H&Q and its affiliates may actively trade the debt and equity securities of Axys, or Applera for their own accounts or for the accounts of customers and, accordingly, they may at any time hold long or short positions in these securities.

## **The Merger Agreement**

*The following is a description of the proposed merger, including the material terms of the merger agreement. The following summary is qualified in its entirety by reference to the complete merger agreement, which is attached to this proxy statement/prospectus as Annex A, and is incorporated in this proxy statement/prospectus by reference. All stockholders of Axys are urged to read the merger agreement in its entirety.*

## **Structure of the Merger**

If all conditions to the merger are satisfied or waived in accordance with the merger agreement, Angel Acquisition, a direct, wholly owned subsidiary of Applera, will merge with and into Axys, with Axys continuing as the surviving corporation. Following the merger, Axys will be a wholly owned subsidiary of Applera. After the merger, Axys will be integrated into the research and development and business operations of the Celera Genomics group.

## **Closing Matters**

**Closing.** The closing of the merger will take place on the second business day after all closing conditions have been satisfied or waived, unless the merger agreement has been terminated or another time or date is agreed to in writing by the parties. See " Conditions to the Merger" for a more complete description of the conditions that must be satisfied prior to closing.

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**Effective Time.** On the closing date of the merger, Applera and Axys will file a certificate of merger agreement in accordance with the Delaware General Corporation Law and make all other required filings or recordings. The merger will become effective when the certificate of merger is duly filed or at such later time as is permissible in accordance with the Delaware General Corporation Law and as Axys and Applera agree and specify in the certificate of merger.

**Certificate of Incorporation and Bylaws.** The merger agreement provides that the restated certificate of incorporation of Axys will be the certificate of incorporation of the surviving corporation, and the bylaws of Angel Acquisition will be the bylaws of the surviving corporation.

**Directors and Officers.** The merger agreement provides that the directors of Angel Acquisition at the effective time of the merger will be the directors of the surviving corporation, and that the officers of Axys at the effective time will be the officers of the surviving corporation.

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### Consideration to Be Received in the Merger

Holders of Axys common stock will receive shares of Applera Celera stock in exchange for their shares of Axys common stock. The exact number of shares of Applera Celera stock that each holder of Axys common stock will receive will be determined by an exchange ratio.

The actual exchange ratio will not be determined until the closing of the merger, with the final exchange ratio based on a mechanism commonly referred to as a collar. Under this mechanism, the holders of Axys common stock will receive a fraction of a share of Applera Celera stock for each of their shares of Axys common stock, based on the 10-day average closing price of a share of Applera Celera stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger and determined as follows:

if this 10-day average closing price is greater than \$60.27, the fraction will be fixed at 0.0813 share. This fixed ratio is intended to allow the holders of Axys common stock to share in any increase in the average closing price of Applera Celera stock during the 10-day pre-closing calculation period above \$60.27 per share;

if this 10-day average closing price is greater than \$48.23 and less than or equal to \$60.27, the fraction will be \$4.90 divided by this 10-day average closing price. This calculation is intended to provide the holders of Axys common stock a fixed value for their shares based on this 10-day average closing price as long as the 10-day average closing price is within this range;

if this 10-day average closing price is equal to or greater than \$45.77 and less than or equal to \$48.23, the fraction will be 0.1016 shares, or \$4.65 divided by \$45.77 (the 10-day average closing price prior to the signing of the merger agreement). This fixed ratio is intended to allow the holders of Axys common stock to share in any increase in the average closing price of Applera Celera stock above \$45.77 up to \$48.23 during the 10-day pre-closing calculation period;

if this 10-day average closing price is less than \$45.77 and greater than or equal to \$34.32, the fraction will be \$4.65 divided by this 10-day average closing price. This calculation is intended to provide the holders of Axys common stock a fixed value for their shares based on this 10-day average closing price as long as the 10-day average closing price is within this range; and

if this 10-day average closing price is less than \$34.32, the fraction will be fixed at 0.1355 share. This fixed ratio is intended to limit the aggregate number of shares of Applera Celera stock to be issued in the merger and protect Applera against additional dilution if the market price of Applera Celera stock further declines.

At the time of the special meeting, Axys stockholders will not necessarily know the exact number or the exact market price of the Applera Celera stock that will be issued in connection with the merger. The number of shares of Applera Celera stock that will be received for each share of Axys common stock will be calculated using the exchange ratio formula described above, and will vary accordingly based on the trading price of Applera Celera stock after the special meeting. Stockholders of Axys are urged to obtain current market quotations for Applera Celera stock prior to the date of the special meeting. No assurance can be given as to the market price of Applera Celera stock at any time prior to or on the effective date of the merger.

The following is an illustration of resulting exchange ratios assuming an average closing price of Applera Celera stock of between \$80 and \$15 over the 10 trading days immediately preceding (but excluding) the second trading day prior to the closing of the merger.

Applera Celera Stock 10-day Average Closing Price		Exchange Ratio	Implied Ays Price per Share	Applera Celera Stock 10-day Average Closing Price		Exchange Ratio	Implied Ays Price per Share
\$	80.00	0.0813	\$ 6.50	\$	47.00	0.1016	\$ 4.78
\$	79.00	0.0813	\$ 6.42	\$	46.00	0.1016	\$ 4.67
\$	78.00	0.0813	\$ 6.34	\$	<b>45.77</b>	<b>0.1016</b>	<b>\$ 4.65</b>
\$	77.00	0.0813	\$ 6.26	\$	45.00	0.1033	\$ 4.65
\$	76.00	0.0813	\$ 6.18	\$	44.00	0.1057	\$ 4.65
\$	75.00	0.0813	\$ 6.10	\$	43.00	0.1081	\$ 4.65
\$	74.00	0.0813	\$ 6.02	\$	42.00	0.1107	\$ 4.65
\$	73.00	0.0813	\$ 5.93	\$	41.00	0.1134	\$ 4.65
\$	72.00	0.0813	\$ 5.85	\$	40.00	0.1163	\$ 4.65
\$	71.00	0.0813	\$ 5.77	\$	39.00	0.1192	\$ 4.65
\$	70.00	0.0813	\$ 5.69	\$	38.00	0.1224	\$ 4.65
\$	69.00	0.0813	\$ 5.61	\$	37.00	0.1257	\$ 4.65
\$	68.00	0.0813	\$ 5.53	\$	36.00	0.1292	\$ 4.65
\$	67.00	0.0813	\$ 5.45	\$	35.00	0.1329	\$ 4.65
\$	66.00	0.0813	\$ 5.37	\$	<b>34.32</b>	<b>0.1355</b>	<b>\$ 4.65</b>
\$	65.00	0.0813	\$ 5.28	\$	34.00	0.1355	\$ 4.61
\$	64.00	0.0813	\$ 5.20	\$	33.00	0.1355	\$ 4.47
\$	63.00	0.0813	\$ 5.12	\$	32.00	0.1355	\$ 4.34
\$	62.00	0.0813	\$ 5.04	\$	31.00	0.1355	\$ 4.20
\$	61.00	0.0813	\$ 4.96	\$	30.00	0.1355	\$ 4.07
\$	<b>60.27</b>	<b>0.0813</b>	<b>\$ 4.90</b>	\$	29.00	0.1355	\$ 3.93
\$	60.00	0.0817	\$ 4.90	\$	28.00	0.1355	\$ 3.79
\$	59.00	0.0831	\$ 4.90	\$	27.00	0.1355	\$ 3.66
\$	58.00	0.0845	\$ 4.90	\$	26.00	0.1355	\$ 3.52
\$	57.00	0.0860	\$ 4.90	\$	25.00	0.1355	\$ 3.39
\$	56.00	0.0875	\$ 4.90	\$	24.00	0.1355	\$ 3.25
\$	55.00	0.0891	\$ 4.90	\$	23.00	0.1355	\$ 3.12
\$	54.00	0.0907	\$ 4.90	\$	22.00	0.1355	\$ 2.98
\$	53.00	0.0925	\$ 4.90	\$	21.00	0.1355	\$ 2.85
\$	52.00	0.0942	\$ 4.90	\$	20.00	0.1355	\$ 2.71
\$	51.00	0.0961	\$ 4.90	\$	19.00	0.1355	\$ 2.57
\$	50.00	0.0980	\$ 4.90	\$	18.00	0.1355	\$ 2.44
\$	49.00	0.1000	\$ 4.90	\$	17.00	0.1355	\$ 2.30
\$	<b>48.23</b>	<b>0.1016</b>	<b>\$ 4.90</b>	\$	16.00	0.1355	\$ 2.17
\$	48.00	0.1016	\$ 4.88	\$	15.00	0.1355	\$ 2.03

The following is a graph showing the effect on the implied price per share of Ays common stock in the merger of different average closing prices of Applera Celera stock between \$14.33 and \$80.33 over the 10 trading days immediately preceding (but excluding) the second trading day prior to the closing of the merger:

### **Treatment of Axys Stock Options**

The merger agreement provides that, after the effective time of the merger, each outstanding option to purchase Axys common stock granted prior to the effective time of the merger under Axys' stock option plans, whether vested or unvested, will be assumed by Applera at the effective time and converted into an option to purchase shares of Applera Celera stock under the same terms and conditions as were applicable to the options as granted under the option plan and form of option agreement under which it was issued. To the extent permitted by law, Applera will comply with the terms of the relevant Axys stock option plans applicable to the options and will ensure that the stock options which qualified as incentive stock options prior to the effective time of the merger continue to qualify as incentive stock options after the merger.

The number of shares of Applera Celera stock that each converted option will be exercisable for will be equal to the number of shares of Axys common stock subject to these options prior to the merger multiplied by the exchange ratio, rounded down to the nearest whole share. The exercise price for each share under the option will be a price per share equal to the exercise price per share prior to the merger divided by the exchange ratio, rounded up to the nearest whole cent, provided that in no event will the option exercise price for options held by Axys employees or consultants other than Mr. Hastings be higher than the closing price of a share of Applera Celera stock on the date immediately prior to the closing of the merger. Mr. Hastings has requested that the exercise price of his options to acquire shares of Applera Celera stock that he will receive upon the conversion of his Axys stock options in the merger be equal to the exercise price of his Axys option divided by the exchange ratio, regardless of the closing price of Applera Celera stock on the date immediately prior to the closing. The exercise prices for options to purchase shares of Axys common stock held by Axys employees or consultants as of October 1, 2001, ranged from \$1.85 to \$17.75, with a weighted average exercise price of \$5.36. Axys employees and consultants held options to purchase a total of 5,236,089 shares of Axys

common stock, of which options to purchase 2,304,052 shares of Axys common stock are vested. The purpose of limiting the exercise price for these options is to provide the Axys employees and consultants with an incentive to continue their relationships with the Celera Genomics group after the merger, as well as to provide Axys employees with additional incentives consistent with what they would have received had they been hired as new employees by the Celera Genomics group. Within 10 business days after the effective time of the merger, Applera will deliver notices to the holders of Axys stock options stating that the options have been converted pursuant to the merger and setting forth the number of shares of Applera Celera stock for which these converted options shall be exercisable, as well as the applicable exercise price for these converted options.

For a further discussion of the treatment of Axys stock options and the Axys employee benefit plans under the merger agreement, see " Effect on Employee Benefits, Stock Plan and Stock Options" in this proxy statement/prospectus.

### **Exchange of Certificates in the Merger**

BankBoston, N.A., in its capacity as exchange agent of Applera Celera stock, will handle the exchange of Axys stock certificates for stock certificates of Applera Celera stock and the payment of cash for fractional shares. Soon after the closing of the merger, the exchange agent will send a letter of transmittal, which is to be used to exchange Axys stock certificates for stock certificates of Applera Celera stock, to each former Axys stockholder. The letter of transmittal will contain instructions explaining the procedure for surrendering Axys stock certificates. **You should not return certificates with the enclosed proxy card.**

Axys stockholders who surrender their stock certificates, together with a properly completed letter of transmittal, will receive stock certificates representing the shares of Applera Celera stock into which their shares of Axys common stock were converted into the right to receive in the merger. After the merger, each certificate previously representing shares of Axys common stock will only represent the right to receive the shares of Applera Celera stock into which those shares of Axys common stock have been converted (and cash in lieu of fractional shares).

Applera will not pay dividends or make any other distributions with respect to Applera Celera stock to holders of any Axys stock certificates until the Axys stock certificates are surrendered. However, once those certificates are surrendered, Applera will pay to the holder, without interest, any dividends or other distributions that may have been declared after the effective time of the merger on the shares of Applera Celera stock into which those Axys shares have been converted. After the effective time of the merger, Axys will not register any transfers of shares of Axys common stock.

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### **Fractional Shares**

No fractional shares of Applera Celera stock will be issued in the merger. Instead, Applera will deposit with BankBoston, N.A., the exchange agent, any cash payable in lieu of fractional shares of Applera Celera stock. From the deposited funds, the exchange agent will pay each of those former Axys stockholders who would have otherwise been entitled to a fractional share of Applera Celera stock an amount in cash determined by multiplying the fractional share interest to which the holder would otherwise be entitled by the average of the closing prices of a share of Applera Celera stock on the New York Stock Exchange Composite Transactions Tape on each of the 10 consecutive trading days immediately preceding (but excluding) the second trading day prior to the closing date of the merger.

### **Effect on Axys Convertible Notes and Warrants**

Applera has agreed to become jointly and severally liable with Axys for the payment and performance by Axys of all of its obligations under the convertible notes issued by Axys and the related indenture and note purchase agreements and warrants to purchase Axys common stock. After the merger, each convertible note outstanding at the effective time of the merger will become convertible into the number of shares of Applera Celera stock that would have been received for the note if the note had been converted immediately prior to the merger.

The merger agreement provides that at the effective time of the merger, subject to limited exceptions, each outstanding unexercised warrant to purchase Axys common stock will be converted into a warrant to purchase shares of Applera Celera stock under the same terms and conditions as applied to the Axys warrant. Each warrant shall be exercisable for the number of shares of Applera Celera stock the holder of the warrant would have been entitled to receive in the merger if the warrant had been exercised immediately prior to the merger. The exercise price under the warrant will be a price per share equal to the total exercise price for all shares of Axys common stock that were purchasable under the warrant immediately prior to the merger divided by the number of full shares of Applera Celera stock that are purchasable under the warrant immediately after the merger.

### **Representations and Warranties**



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It is a condition to the obligation of each party to complete the merger that on the date of closing of the merger the representations and warranties of the other party contained in the merger agreement are true in all respects or all material respects, depending on the language of each representation or warranty. This means that if the representations and warranties Axys makes in the merger agreement are not true in all respects or all material respects, as applicable, Applera will not be required to close the merger (although Applera would have the ability to waive this requirement if it chose to do so). Similarly, if the representations and warranties Applera makes in the merger agreement are not true in all respects or all material respects, as applicable, Axys will not be required to close the merger (although Axys would have the ability to waive this requirement if it chose to do so).

The merger agreement contains substantially reciprocal customary representations and warranties made by each of Applera and Axys to the other. These representations and warranties relate to, among other things:

due organization, qualification to conduct business and corporate standing and power;

capital structure;

corporate authority to enter into, and carry out the obligations under, the merger agreement, and enforceability of the merger agreement;

absence of a breach of the charter, bylaws, law or material agreements as a result of the merger;

required governmental consents, approvals, notices and similar filings;

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filings with the Securities and Exchange Commission;

accuracy of financial statements and absence of undisclosed liabilities;

accuracy of information supplied for this proxy statement/prospectus;

absence of specified changes or events;

litigation;

compliance with laws;

payment of fees to brokers in connection with the merger agreement; and

votes required for approval of the merger.

The merger agreement also contains representations and warranties of Axys relating to:

ownership of subsidiaries and entities in which Axys owns, directly or indirectly, more than a 5% equity interest but which are not subsidiaries of Axys;

labor matters;

adequacy of permits, licenses and similar governmental authorizations;

employee benefit plans;

tax matters;

real and personal property matters;

environmental matters;

material contracts with third parties;

intellectual property matters;

opinion of the financial advisor to the Axys board of directors;

the Axys board of directors recommendation;

amendment of Axys' stockholder rights agreement; and

absence of affiliate transactions.

The merger agreement also contains representations and warranties of Applera that relate to operations of Angel Acquisition prior to closing.

The representations and warranties contained in the merger agreement do not survive the effective time of the merger.

## Covenants

It is a condition to the obligation of each party to complete the merger that the other party has performed or complied with its obligations under the merger agreement in all material respects. The obligations include complying with the covenants that Axys and Applera have undertaken in the merger agreement. The following summarizes the most significant of these covenants.

**Conduct of Business by Axys Pending Closing.** Axys and its subsidiaries have undertaken a covenant that places restrictions on the conduct of their businesses until either the effective time of the merger or the termination of the merger agreement. In general, Axys and its subsidiaries are required to carry on their businesses in the ordinary course of business consistent with past practice and use their reasonable best efforts to preserve substantially intact their current business organizations, keep

available the services of their current officers and employees and preserve their relationships with third parties. Axys and its subsidiaries have agreed to some specific restrictions that prohibit them from taking any of the following actions unless otherwise expressly provided in the merger agreement:

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declaring or paying dividends on, or making any other distributions in respect of, any of their capital stock;

making changes in their share capital, including, among other things, stock splits, combinations or reclassifications;

repurchasing or redeeming any of their capital stock;

issuing, delivering or selling any shares of their capital stock or other equity interests, other than in connection with the exercise of outstanding warrants and stock options of Axys or its subsidiaries, the grant or exercise of new stock options to the extent permitted under the merger agreement, purchases under Axys' employee stock purchase plan or the conversion of or payment of interest on Axys' convertible notes;

amending their certificates of incorporation or bylaws or the Axys stockholder rights agreement;

making acquisitions of other entities;

disposing of their properties or assets, or stock in subsidiaries or other companies in which Axys has invested, subject to limited exceptions;

incurring debt (including guarantees), except short term borrowings in specified amounts;

making loans, advances or capital contributions to, or investments in, any other person;

making any capital expenditures, beyond specified amounts;

acquiring assets other than inventory and supplies in the ordinary course of business consistent with past practice;

waiving, releasing or transferring any rights of material value in any existing license, lease, contract or other document other than in the ordinary course of business consistent with past practice;

paying, discharging or satisfying any claims, liabilities or obligations, other than in the ordinary course of business consistent with past practice;

settling or compromising any litigation or claim, other than those within specified amounts that do not provide for injunctive or similar relief;

adopting a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or reorganization;

entering into or amending any collective bargaining agreement;

engaging in or amending, in any material respect, specified types of material contracts or transactions and entering into or amending, in any respect, specified other types of material contracts;

entering into or amending any agreement restricting the ability of Axys to compete after the closing of the merger;

changing any accounting principle used by them, except as required by generally accepted accounting principles;

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transferring to any person any right to Axys' intellectual property, other than the granting of end-user licenses and the right to grant end-users sublicenses to customers in the ordinary course of business consistent with past practice;

entering into, terminating or amending any agreement under which a third party is granted exclusive rights with respect to any of their research, products, intellectual property or other technology;

adopting or amending (except as required by law) any company benefit plan;

increasing the compensation of directors or employees or increasing employee benefits other than for employees (other than directors and officers) in the ordinary course of business and consistent with past practice;

hiring or terminating any employee or consultant other than in the ordinary course of business consistent with past practice or as required under applicable laws or existing Axys benefits plans;

granting any new or modified severance or termination arrangement or increasing or accelerating any benefits payable under their severance or termination pay policies;

effectuating a "plant closing" or "mass layoff", within the meaning of applicable law, affecting any site of employment, facility, operating unit or employee of Axys without notifying Applera and complying with regulatory requirements;

making or changing any tax election; changing any annual tax accounting period or any method of tax accounting; or filing any amended material tax return; or

settling or compromising any material federal, state, local or foreign tax liability; entering into any closing agreement relating to any material tax; surrendering any right to claim a material tax refund; or consenting to any extension or waiver of the statute of limitations period for any material tax claim or assessment.

Axys has also agreed to notify Applera if any employee at or above a specified level of seniority gives Axys notice of his or her intention to terminate his or her employment with Axys, so that Applera may meet with the employee.

**Conduct of Business by Applera Pending Closing.** Until the closing of the merger (or the termination of the merger agreement prior to the closing of the merger), Applera has agreed not to declare or pay any dividend on or split, combine or reclassify any Applera Celera stock prior to the effective time of the merger or issue or authorize the issuance of any equity interest in substitution for shares of Applera Celera stock.

**Additional Reciprocal Covenants Relating to Conduct of Business Pending the Merger.** Both Axys and Applera have agreed to some specific restrictions that prohibit them from:

taking actions that would prevent or impede the merger from qualifying as a tax-free reorganization for tax purposes;

taking actions that, if taken on or prior to the date of the merger agreement, would have resulted in any of the representations and warranties set forth in the merger agreement being untrue;

taking actions that would or reasonably might be expected to result in any of the conditions to closing not being satisfied; or

issuing press releases or other public statements with respect to the merger or the merger agreement without the other party's prior consent.

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**Recommendation of Axys Board of Directors.** The Axys board of directors may withdraw or modify its recommendation of the merger in a manner adverse to Applera only if Axys receives a "superior proposal" as described below under " No Solicitation" in this proxy statement/prospectus.

**No Solicitation.** Axys has agreed that it will not (whether directly or indirectly through advisors, agents or other intermediaries), nor will it or its subsidiaries authorize or permit any of their officers, directors, agents, representatives, advisors or subsidiaries, to:

solicit, initiate or take any action knowingly to facilitate the submission of inquiries, proposals or offers with respect to a third party "transaction proposal" of the type described below;

enter into or participate in any discussions or negotiations regarding a transaction proposal;

furnish to any third party any nonpublic information with respect to its business, properties or assets in connection with any transaction proposal; or

otherwise knowingly assist or participate in, cooperate with, facilitate or encourage, any effort or attempt by any third party to do any of the foregoing.

A "transaction proposal" is any proposal or offer, other than the transactions contemplated by the merger agreement, with respect to:

any acquisition or purchase of 15% or more of the consolidated assets of Axys and its subsidiaries or of over 15% of any class of equity securities of Axys or its subsidiaries;

any tender offer, including a self tender offer, or exchange offer that if consummated would result in any person beneficially owning 15% or more of any class of equity securities of Axys or its subsidiaries; or

any merger, consolidation, business combination, sale of substantially all of the assets, recapitalization, liquidation, dissolution or similar transaction involving Axys or any of its subsidiaries whose assets, individually or in the aggregate, constitute more than 15% of the consolidated assets of Axys.

In the event a third party has made a bona fide transaction proposal that could result in a "superior proposal" of the type described below and the Axys board of directors concludes in good faith, upon consultation with outside counsel, that the failure to take such action would violate the fiduciary duties of the board of directors of Axys to its stockholders, then Axys may:

furnish to the third party information relating to Axys' business under an appropriate confidentiality letter on terms no less favorable to Axys than those in place with Applera concerning Axys and its business, properties or assets;

engage in negotiations or discussions with the third party;

comply with its obligations under the Securities Exchange Act of 1934 with respect to the transaction proposal; and

withdraw its recommendation that the stockholders of Axys approve and adopt the merger agreement and approve the merger.

A "superior proposal" is any proposal, other than the transactions contemplated by the merger agreement, with respect to:

any acquisition or purchase of 50% or more of the consolidated assets of Axys and its subsidiaries or of over 50% of any class of equity securities of Axys or its subsidiaries;

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any tender offer, including a self tender offer, or exchange offer that if consummated would result in any person beneficially owning 50% or more of any class of equity securities of Axys or its subsidiaries; or

any merger, consolidation, business combination, sale of substantially all of the assets, recapitalization, liquidation, dissolution or similar transaction involving Axys or any of its subsidiaries whose assets, individually or in the aggregate, constitute more than 50% of the consolidated assets of Axys or its subsidiaries,

if, in each case, the board of directors of Axys has concluded in good faith, after consultation with its outside legal counsel and its financial advisor(s), that the proposal is reasonably capable of being completed and represents a financially superior transaction for holders of Axys common stock compared to the merger under the merger agreement.

The merger agreement requires Axys to promptly inform Applera of all material terms and conditions of any transaction proposal (including any superior proposal) it receives and to keep Applera informed on a prompt and current basis of the status, terms and content of any discussions regarding any transaction proposal.

**Rights Agreement.** The Axys board of directors has agreed to take all action necessary in order to render its stockholder rights agreement inapplicable to the merger and other transactions contemplated by the merger agreement. Further, the Axys board of directors has agreed not to otherwise amend the rights agreement or take any action with respect to, or make any determination under, the rights agreement without the prior written consent of Applera.

**Reasonable Best Efforts.** Applera and Axys have agreed to cooperate with each other and to use their reasonable best efforts to take all actions and do all things advisable or necessary under applicable laws to complete the merger and the other transactions contemplated by the merger agreement. This cooperation includes obtaining all regulatory consents and approvals necessary to complete the merger and defending any lawsuits or other proceedings challenging the merger agreement. However, Applera and Axys will not be required to make any disposition of or enter into any agreement to hold separate any subsidiary, assets or business, or take any other action that Applera determines could significantly reduce the value of Axys or the benefits that Applera expects to derive from the merger and Axys and its subsidiaries have agreed not to take any of these actions without Applera's prior written consent. Additionally, Axys and its subsidiaries will not agree to take any of the above actions without the prior written consent of Applera.

**Accountants Letter.** Axys will also use its reasonable best efforts to deliver to Applera a comfort letter from Ernst & Young LLP in a form and substance reasonably satisfactory to Applera prior to the effective date of the Form S-4.

**Access to Information; Confidentiality.** Axys will provide Applera and its representatives reasonable access during normal business hours to Axys' properties, books, contracts, commitments, personnel and records, and will provide Applera with all information concerning its business, properties, financial condition, operations and personnel and a copy of each report, schedule, registration statement or other document filed by it as Applera may reasonably request. Applera and Axys will keep all non-public information confidential.

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### Conditions to the Merger

Axys' and Applera's respective obligations to complete the merger are subject to the satisfaction or, to the extent permissible, the waiver of various conditions that include, in addition to other customary closing conditions:

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holders of a majority of the outstanding shares of Axys will have voted to approve and adopt the merger agreement and approve the merger;

there will not be any order, injunction or other legal restraint prohibiting completion of the merger;

the registration statement on Form S-4, of which this proxy statement/prospectus is a part, will have been declared effective by the Securities and Exchange Commission and no stop order suspending its effectiveness will have been issued and there will not be any proceedings seeking a stop order and material blue sky and other state securities law will have been complied with;

the shares of Applera Celera stock issued in the merger and reserved for issuance upon exercise of Axys' stock option, warrants and convertible notes will have been approved for listing on the New York Stock Exchange; and

each party will have received an opinion of its legal counsel to the effect that the merger will qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code and that each of Applera, Axys and Angel Acquisition will be a party to the reorganization.

In addition, each party's obligation to complete the merger is subject to the satisfaction of the following conditions:

as of the closing date of the merger, the representations and warranties of the other party contained in the merger agreement which are qualified as to material adverse effect will be true in all respects; and the representations and warranties which are not qualified as to material adverse effect will be true in all material respects, except for those representations and warranties which address matters only as of a particular date, which will be true and correct as of that date; and

the other party will have performed or complied in all material respects with its obligations contained in the merger agreement.

Additionally, Applera's obligation to effect the merger and the other transactions contemplated by the merger agreement is conditioned upon:

the receipt of all necessary governmental and third party licenses, permits, consents, approvals, authorizations, qualifications and orders, except where the failure to obtain these licenses, permits, consents, approvals, authorizations, qualifications and orders could not reasonably be expected to have a material adverse effect on Axys or on Axys' ability to perform its obligations under the merger agreement. Axys and Applera believe that this condition has been satisfied;

the absence of any litigation or action pending or threatened by a governmental entity which seeks to, among other things, restrain or prohibit the merger or limit Applera's ownership or operation of Axys; and

the rights under the Axys stockholder rights agreement will not be redeemable and will not become redeemable upon the consummation of the merger. The Axys stockholder rights agreement has been amended so that the rights will not become redeemable upon consummation of the merger.

### Stock Exchange Listings

Applera has agreed to use all reasonable efforts to cause the Applera Celera stock to be issued in the merger and upon the exercise or conversion of the stock options, warrants and convertible notes granted or issued by Axys prior to the closing of the merger to be approved for listing on the New York Stock Exchange.

### Regulatory Approvals Required

The Hart-Scott-Rodino Antitrust Improvements Act of 1976 prohibits Axys and Applera from completing the merger until after we have filed the required notification and report forms and furnished any additional information and materials requested by the Antitrust Division of the United States Department of Justice and the United States Federal Trade Commission, if requested, and the required waiting period has expired or terminated. The required notification and report forms under the Hart-Scott-Rodino Act were filed by Axys and Applera with the Antitrust Division of the United States Department of Justice and the United States Federal Trade Commission on June 29, 2001, and the waiting period under the Hart-Scott-Rodino Act expired on July 30, 2001.

### Termination of the Merger Agreement

**Right to Terminate.** Axys and Applera may mutually agree to terminate the merger agreement at any time. In addition, either of Axys or Applera may terminate the merger agreement if specified events do or do not occur. These include:

if a court or government regulator permanently prohibits the merger;

if the merger is not completed by December 31, 2001, except that a party may not terminate the merger agreement if the cause of the merger not being completed by that date is that party's failure to fulfill its obligations under the merger agreement;

if the holders of Axys common stock fail to approve the merger agreement at a duly held meeting held for the purpose of voting on the merger and the merger agreement; or

the other party breaches any of its representations, covenants or agreements so that a closing condition would not be satisfied and, if curable, the breach remains uncured for 30 days following notice.

The merger agreement may also be terminated by Applera if Axys or its board of directors:

withdraws, modifies or amends in any respect adverse to Applera its approval or recommendation of the merger and the merger agreement;

approves or recommends any transaction proposal from a third party; or

in response to the commencement of any tender offer or exchange offer for more than 15% of the outstanding shares of Axys common stock, does not recommend rejection of the tender offer or exchange offer.

In addition, Axys may terminate the merger agreement, after it receives a superior proposal and complying with its obligations under the merger agreement with respect to the superior proposal, if its board of directors concludes in good faith, upon consultation with outside counsel, that in order to avoid violating the fiduciary duties of the board of directors of Axys to the stockholders of Axys under the General Corporation Law of the State of Delaware, that the board of directors must not make or must withdraw or modify its recommendation that the stockholders of Axys approve the merger and the merger agreement.

**Effect of Termination.** Under the terms of the merger agreement, if the merger agreement is terminated it will become void and have no effect, and neither Applera nor Axys will have any liability to the other, except that:

Axys may have to pay a termination fee to Applera as described below under " Termination Fee" in this proxy statement/prospectus;



no party will be relieved from liability for any breach of the merger agreement prior to its termination;

Applera and Axys have agreed that for 1 year following the termination of the merger agreement each of Applera and Axys will not raid the employees employed by the other party or its subsidiaries in violation of California legal principles; and

specified provisions of the merger agreement expressly survive the termination on customary terms.

**Termination Fee.** Axys will pay to Applera \$5.6 million plus out-of-pocket fees and expenses incurred by Applera not exceeding \$900,000 if any of the following events occur:

prior to the termination of the merger agreement, any person makes, proposes, communicates or discloses in a manner which is or otherwise becomes public a bona fide intention to make a transaction proposal; and on or prior to 12 months after the date of the termination, a third party consummates a transaction which qualifies as a transaction proposal or Axys enters into a definitive agreement with a third party the terms of which would otherwise qualify as a transaction proposal; and either:

the merger agreement is terminated by Applera because Axys willfully breaches the merger agreement after a bona fide intention to make a transaction proposal becomes public as described above; or

the merger agreement is terminated by Applera or Axys because the stockholders of Axys fail to approve the merger agreement at a duly held meeting held for the purpose of voting on the merger and the merger agreement; or

Applera terminates the merger agreement due to:

the Axys board of directors withdrawing, modifying or amending in any respect adverse to Applera its approval or recommendation of the merger and the merger agreement (or resolving to do so);

the Axys board of directors approving or recommending any transaction proposal from a third party (or resolving to do so); or

the Axys board of directors, in response to the commencement of any tender offer or exchange offer for more than 15% of the outstanding shares of Axys common stock, not recommending rejection of the tender offer or exchange offer; or

the Axys board of directors terminates the merger agreement because, after receiving a superior proposal and complying with Axys' obligations in the merger agreement with respect to the superior proposal, the Axys board of directors concludes in good faith, upon consultation with outside counsel, that in order to avoid violating its fiduciary duties to the stockholders of Axys under the General Corporation Law of the State of Delaware, the Axys board of directors must withdraw or modify its recommendation that the stockholders of Axys approve and adopt the merger agreement and approve the merger.

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The merger agreement may be amended by the parties at any time before or after approval of the merger agreement by the holders of Axys common stock, except that after that stockholder approval is obtained, there will be no amendment that by law requires further approval by the stockholders without further approval of the stockholders. All amendments to the merger agreement must be in a writing signed by Applera, Axys and Angel Acquisition.

At any time prior to the effective time of the merger, the parties to the merger agreement may, to the extent legally allowed:

extend the time for the performance of any of the obligations or other acts of the other parties to the merger agreement;

waive any inaccuracies in the representations and warranties of the other parties contained in the merger agreement or in any document delivered pursuant to the merger agreement; and

waive compliance by the other parties with any of the agreements or conditions contained in the merger agreement (subject to the same conditions that apply to amendments).

All extensions and waivers must be in writing and signed by the party against whom the waiver is to be effective.

### Expenses

Axys and Applera have agreed that all costs and expenses incurred in connection with the merger will be shared by Axys and Applera as described under "The Special Meeting Proxy Solicitation." In addition, Axys may be required to pay Applera a termination fee and reimburse Applera for specified expenses in the event the merger agreement is terminated under circumstances described in detail under "Termination of the Merger Agreement Termination Fee" in this proxy statement/prospectus.

### Effect on Employee Benefits and Related Agreements

**Benefit Plans.** Applera has agreed that following the effective time of the merger until July 1, 2002, employees of Axys will participate in the employment benefits plans maintained by Applera or the surviving corporation providing benefits no less favorable in the aggregate than those benefits currently provided by Axys, excluding any stock compensation plans or programs and arrangements. Applera has also agreed to waive limitations as to pre-existing conditions, exclusions and waiting periods with respect to participation and coverage requirements applying to Axys employees in Applera benefit plans following the effective time of the merger and to provide credit for amounts paid by Axys employees prior to the effective time of the merger in satisfying deductible or out-of-pocket requirements under Applera's welfare plans. Applera will give employees of Axys at the effective time of the merger who remain employees thereafter full credit, under each Applera employee benefit plan in which the employee may participate, for service under each comparable Axys employee benefit plan maintained by Axys immediately before the effective time of the merger for purposes of eligibility and vesting and entitlement to vacation and vacation pay, but not for purposes of benefit accrual under any employee pension benefit plan.

**Extension of Stock Options.** If Applera or any of its subsidiaries terminate any Axys employee without cause within 90 days after the effective time, Applera has agreed to cause the employees' vested stock options that were converted from Axys stock options to be amended to provide that the exercise period for these vested options will be extended so as to permit their exercise by the terminated employee for a period of 12 months after the date of his or her termination. However, in the case of any employee holding an option intended to qualify as an incentive stock option under Section 421 of the Internal Revenue Code, the extension will be made only with the consent of the

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terminated employee. Mr. Hastings has indicated that he will not consent to any extension of his options in the event his employment is terminated.

### Material United States Federal Income Tax Consequences

The following discussion sets forth the material United States federal income tax consequences of the merger to United States holders (as defined below) of Axys common stock. This discussion is based upon the Internal Revenue Code, Treasury regulations and court and administrative rulings and decisions in effect on the date of this proxy statement/prospectus. These laws may change, possibly retroactively, and any change could affect the continuing validity of this discussion. This discussion does not address any tax consequences arising under the laws of any state, locality or foreign jurisdiction.

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For purposes of this discussion, we use the term "United States holder" to mean:

a citizen or resident of the United States;

a corporation, partnership or other entity created or organized under the laws of the United States or any of its political subdivisions;

a trust that (x) is subject to the supervision of a court within the United States and the control of one or more United States persons or (y) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person; or

an estate that is subject to United States federal income tax on its income regardless of its source.

This discussion assumes that you hold your shares of Axys common stock as a capital asset and does not address the tax consequences that may be relevant to you in light of your particular circumstances. In addition, it does not present a description of the United States federal income tax laws applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

a financial institution;

a tax-exempt organization;

an S corporation or other pass-through entity;

an insurance company;

a mutual fund;

a dealer in securities or foreign currencies;

a trader in securities that elects the mark-to-market method of accounting for your securities;

a holder of Axys common stock who received your Axys common stock through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan;

a person that has a functional currency other than the United States dollar;

a holder of options granted under any Axys benefit plan; or

a holder of Axys common stock who holds Axys common stock as part of a hedge, straddle or conversion transaction.

Applera and Axys have not and will not seek any ruling from the Internal Revenue Service regarding any matters relating to the merger. The Internal Revenue Service has announced that it will not issue advance rulings on the classification of an instrument similar to Applera Celera stock that has voting and liquidation rights in an issuing corporation but whose dividend rights are determined by

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reference to a segregated portion of the issuing corporation's assets, including assets held by a subsidiary. In addition, there are no court decisions or other authorities bearing directly on the classification of instruments with characteristics similar to those of Applera Celera stock.

Based on representations contained in representation letters provided by Applera and Axys and on certain customary factual assumptions, all of which must continue to be true and accurate in all respects as of the effective time, it is the opinion of Simpson Thacher and Bartlett, counsel to Applera, and Latham & Watkins, counsel to Axys, subject to the qualifications and assumptions set forth in this discussion, that the material United States federal income tax consequences of the merger are as follows:

the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

Applera and Axys will not recognize gain or loss;

you will not recognize gain or loss when you exchange your Axys common stock solely for Applera Celera stock;

you will recognize capital gain or loss on any cash received in lieu of a fractional share of Applera Celera stock equal to the difference between the amount of cash received and the basis allocated to any fractional share which will constitute long-term capital gain or loss if your holding period in the Axys stock surrendered in the merger is more than one year as of the date of the merger;

the aggregate tax basis of Applera Celera stock you receive will be the same as the aggregate tax basis of the Axys common stock you surrender in exchange, decreased by the tax basis allocated to any fractional share interest exchanged for cash;

the holding period of Applera Celera stock you receive will include the holding period of shares of Axys common stock you surrender in the exchange; and

you must retain records and file with your United States federal income tax returns a statement setting forth facts relating to the merger.

It is a condition to the closing of the merger that each of Applera and Axys receive an opinion, which opinions are in addition to the opinions included in this section, from its tax counsel, dated as of the closing date, that the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. The opinions will be based on updated representation letters provided by Applera and Axys to be delivered at the time of closing and customary factual assumptions and factual representations, all of which must continue to be true and accurate in all respects as of the closing, and will assume that the merger will be completed according to the terms of the merger agreement. An opinion of counsel represents counsel's best legal judgment and is not binding on the Internal Revenue Service or any court.

**Backup Withholding.** If you are a noncorporate holder of Axys common stock, you may be subject to backup withholding on any cash payments received in lieu of a fractional share interest in Applera Celera stock. You will not be subject to backup withholding, however, if you:

furnish a correct taxpayer identification number and certify that you are not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to you following the completion of the merger;

provide a certification of foreign status on Form W-8BEN or a successor form; or

are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against your United States federal income tax liability, provided you furnish the required information to the Internal Revenue Service.

**Tax matters are very complicated, and the tax consequences of the merger to you will depend upon your particular tax situation. We encourage you to consult your own tax advisors regarding the specific tax consequences of the merger, including tax return reporting requirements, the applicability of federal, state, local and foreign tax laws and the effect of any proposed change in the tax laws.**

#### **Accounting Treatment**

For accounting and financial reporting purposes, the merger will be treated as a purchase by Applera under generally accepted accounting principles.

#### **Interests of Certain Persons in the Merger**

In considering the recommendation of the Axys board of directors with respect to the merger agreement and the merger, you should be aware that Axys' directors and executive officers have interests in the merger that are different from, or in addition to, your interests as a stockholder. The Axys board of directors was aware of these differing interests and considered them, among other matters, in recommending that you approve and adopt the merger agreement and approve the merger. These interests are summarized below.

#### **Employment Agreements**

Axys has entered into employment agreements with its executive officers: Mr. Hastings; Daniel F. Hoth, M.D., Senior Vice President and Chief Medical Officer of Axys; Mr. Newell; David E. Riggs, Senior Vice President and Chief Financial Officer of Axys; Dr. Venuti; and Douglas H. Altschuler, Vice President and General Counsel of Axys. Applera is evaluating whether these executive officers will continue as employees after the merger; it is not known at this time which of these employees will remain with the Celera Genomics group following the merger. In addition to employment agreements with its executive officers, Axys has an employment agreement with its former Chief Executive Officer, and current director, John H. Walker. These agreements may, under the circumstances set forth below, entitle the officer to severance or termination pay or accelerate stock